Man Group plc

Annual Report for the
year ended 31 December 2017

2017 was a year of very positive progress for Man Group with record net inflows, strong and broad based performance across our funds and a material increase in profits.

Highlights

- Funds under management (FUM) up 35% to $109.1 billion mainly driven by positive investment performance and net inflows
- 1.9%[1] of net asset weighted outperformance relative to peers in 2017
- Positive investment performance increased FUM by $10.7 billion
- Record net inflows of $12.8 billion, 16% of opening FUM
- 11 basis point reduction in Group net management fee margin compared to 2016 mainly reflecting strong FUM growth in lower margin strategies
- Statutory profit before tax of $272 million
- Adjusted profit before tax of $384 million, up 87% compared to 2016 driven by a strong rebound in performance fees
- Regulatory capital surplus of $256 million as at 31 December 2017
- Recommended dividend equal to adjusted management fee earnings for the year of 10.8 cents per share, with a recommended final dividend of 5.8 cents per share, payable at a rate of 4.18 pence per share, with total dividend up 13% in Sterling. Our dividend policy and availability of dividend resources is discussed further on page 29.

Alternative performance measures
We assess the performance of the Group using a variety of alternative performance measures, which are explained on pages 147 to 150.

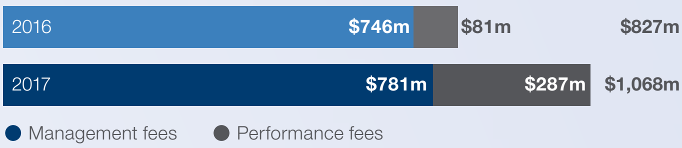
1 This performance figure does not represent actual performance of any product.

FUM

$109.1bn

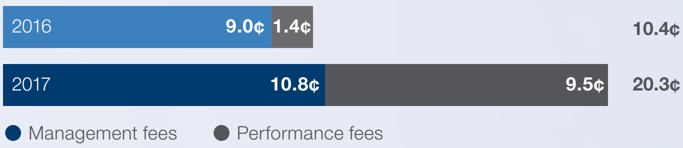
Revenue

$1,068m



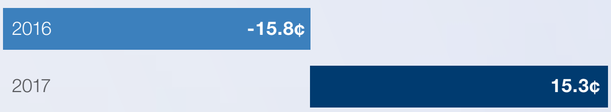
Adjusted earnings per share

20.3¢



Statutory earnings per share

15.3¢



Man Group is a global investment management firm, focused on generating outperformance for clients. This is achieved through a diverse spectrum of specialist active investment disciplines, empowered by the latest technology.

Contents

The Strategic report was approved by the Board and signed off on its behalf by:

Luke Ellis
Chief Executive Officer

OUR BUSINESS MODEL

Market trends

A number of key trends are driving change in the asset management industry. Our commercial differentiators and client focused business model mean we are well positioned to address these trends.

Active versus passive

There are two trends impacting flows in our industry. At one end of the spectrum, a move to 'passive' investments such as index trackers for investors wanting to just follow the market at low cost. At the other, a move to highly active products that provide genuine alpha and manage portfolio risk by seeking returns uncorrelated with general market movements. As an active investment manager focused on high alpha strategies, the increased demand for actively managed assets creates a real opportunity for future growth within our firm.

Fee pressure

There has been increased pressure on fees across the industry, partially due to the low yield environment. While this has impacted certain areas of our business where price competition is more intense, most of the reduction in fee margin at the Group level over recent years has been due to a change in business mix from retail focused guaranteed products to diversified alternative and long only strategies sold to institutions. Our clients continue to pay full fees for innovative products with a strong track record. We also believe there are a number of opportunities to work profitably for our clients on larger scale business, at a lower basis point fee, which is still attractive to shareholders such as the infrastructure mandates within Man FRM or collateralised loan obligations (CLOs) within Man GLG.

Regulatory environment

Regulators play an important role in our industry and we have been faced with the biggest regulatory change in recent years with the requirements of the MiFID II Directive effective from January 2018. 2017 implementation costs were a headwind for many in the industry as will be the ongoing costs from 2018 onwards. Although this new regulation adds complexity and cost to our business, it does enhance the advantages of scale and will affect the competitiveness of smaller firms disproportionately.

Our commercial differentiators

In addition to the strength of our people, robust risk management, a central infrastructure and a strong financial and capital base, we have four key commercial differentiators:

Diverse investment strategies:

Our business has five specialist investment units, or engines, which represent our capabilities: Man AHL, Man Numeric, Man GLG, Man FRM and Man GPM. These engines house numerous investment teams, working both independently and collaboratively within the framework of Man Group and the firm's single operating platform.

More on page 14

Innovative solutions:

We seek to develop the very best investment opportunities for our clients, tailored to their particular needs and constraints. Our breadth of capabilities and infrastructure allows us to design customised solutions to best serve our clients' unique requirements.

More on page 16

Strong client relationships:

Our Sales team provides our clients with one point of contact across Man Group and our five investment engines. This one key contact understands their investment needs and can present the diverse range of options available to them.

More on page 18

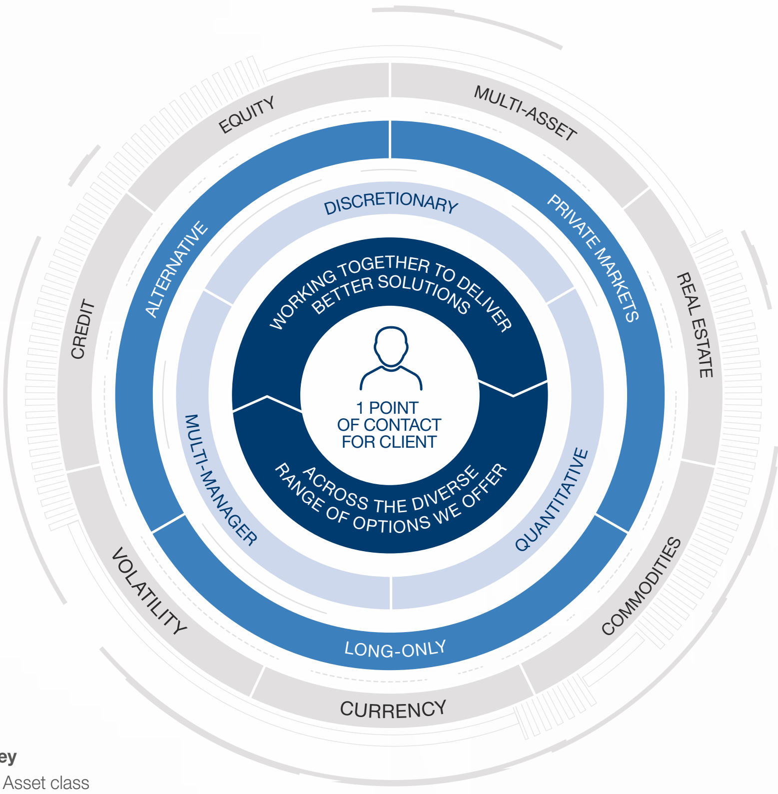
Technology empowered:

We use innovative financial technology and quantitative techniques across our business, and believe this enables us to deliver results for clients. We are committed to being a leader in this area, and we continually invest in talent, technology and research as we strive to be at the forefront of the industry.

More on page 20

strengthen our business model and enable us

Man is focused on delivering high quality active management solutions for our clients. Each client has one point of contact whose role is to be an expert in that clients' needs and wants and who can deliver the Man organisation to the client.



Key
- Asset class
- Investment style
- Investment strategy

Our investment teams offer a broad range of products and services to address clients' investment needs covering quantitative, discretionary and multi-manager. We are active across equity, multi-asset, real estate, commodities, currency, credit and volatility markets. We offer long only, alternative and private markets strategies and we are able to leverage the diverse expertise from across the firm into Man solutions, which provides innovative tailored portfolio solutions for our clients. Each of our investment teams benefit from the strength of the firm's single operating platform, enabling their primary focus to be on delivering outperformance for clients.

Underpinned by governance and oversight
More on page 44

to deliver stakeholder value

Clients
Our clients are at the heart of everything we do.

Superior, risk-adjusted returns
1.9%
net outperformance relative to peers in 2017

Servicing clients' needs
56%
of FUM from clients invested in four products or more

Broad range of strategies
72
strategies and service solutions run across the Group at 31 December 2017

Net Inflows
$12.8bn
in 2017

Shareholders
We aim to maximise shareholder returns by focusing on delivering outperformance for clients and by operating and allocating capital efficiently.

Shareholder returns
$1.4bn
over the last five years. $0.9bn in dividends paid and $0.5bn in four share repurchases

Dividend
10.8c
for the year ended 31 December 2017

Employees
We operate a workplace focused on meritocracy, fairness and equal opportunities, while developing and retaining talent through continuing education and constructive feedback loops.

Internal transfers
92
during 2017

Nationalities
59
working at Man Group as at 31 December 2017

Community
We are conscious of the impact of our organisation on the communities in which we operate and have taken steps to ensure we are contributing positively to those around us.

Charitable trust
$500k
donated in 2017

Volunteering
10%
increase in volunteering in 2017

GROUP AT A GLANCE

Over the last five years Man has changed significantly. We have transitioned the business away from its pre-crisis focus on guaranteed products with one central strategy to a much larger, more diversified provider of active investment strategies, with a greater focus on research, innovation and technology to serve clients.

Sales

Our global sales team are committed to delivering all of Man Group's strategies to our clients through one point of contact.

People in sales and marketing

172

at 31 December 2017

Strong client relationships

56%

of FUM from clients invested in four products or more

Institutional focus

82%

of FUM from institutional clients at 31 December 2017

Net inflows

16%

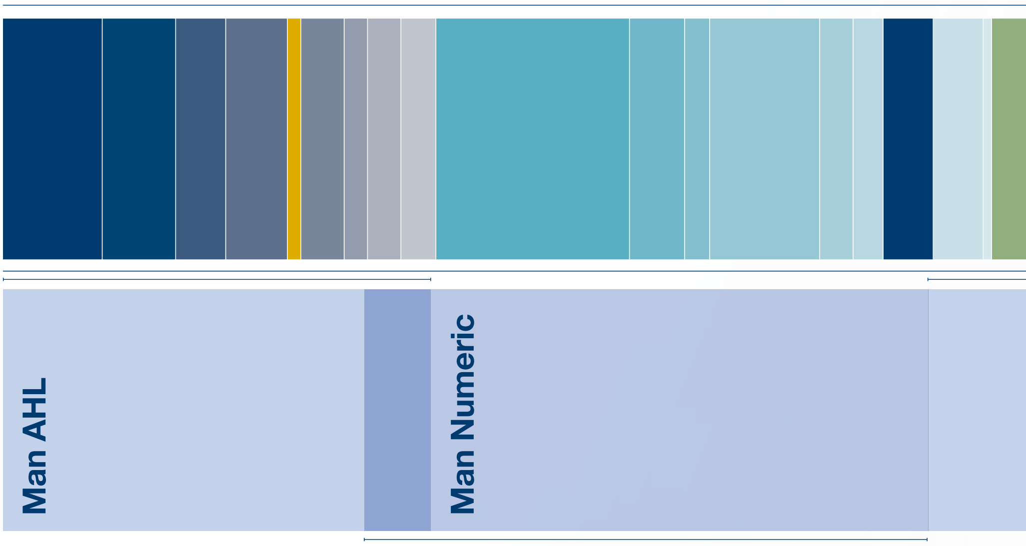
of opening FUM in 2017

Strategies

We focus on generating alpha for clients through a diverse spectrum of specialist disciplines, investing in liquid and private markets around the world.

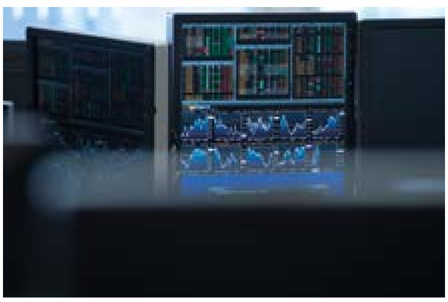
Investment engines

Our five investment management units leverage our world class infrastructure to provide a diverse range of strategies across investment approaches, styles, and asset classes.



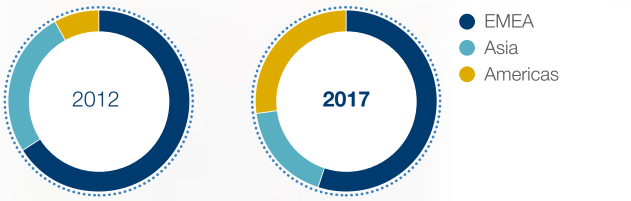
Infrastructure

We firmly believe our infrastructure and our technological capabilities are key commercial differentiators, enabling us to maintain our position at the forefront of the asset management industry and allowing us to evolve and adapt with our clients' needs.

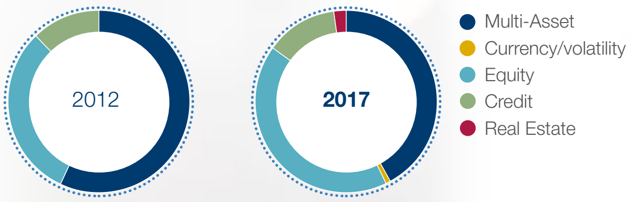


More on page 20

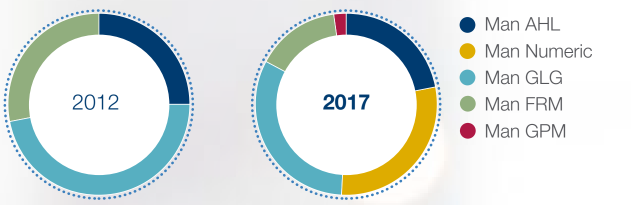
FUM by client domicile



FUM by strategy



FUM by investment engine



Regulatory jurisdictions

14

jurisdictions in which we are regulated

Global headcount

1,325

at 31 December 2017

Surplus regulatory capital

$256m

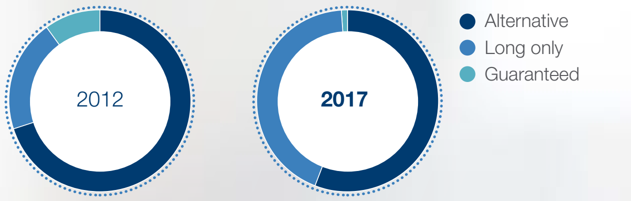
at 31 December 2017

Offices

16

located around the world

FUM by product



CHAIRMAN'S STATEMENT

2017 was a year of not only delivering excellent results, but also of building for the long term future growth and success of the business

Lord Livingston of Parkhead
Chairman

Overview of the year

2017 was a year of strong performance across our business. We delivered absolute returns for clients across our investment strategies with the majority of these strategies outperforming their peers. In addition, the record net inflows in the year of $12.8 billion reflected not just the strong investment performance but the quality of our investment propositions, our approach to deep client relationships and the excellent work done over the past 12 months to strengthen our sales organisation. This combination of strong performance and record net inflows led to a 35% increase in funds under management.

The growth in assets and strong relative investment performance, combined with our continued focus on running the business in an efficient and effective manner, have led to excellent profit growth, with a 87% increase in adjusted profits for the year to $384 million. Our statutory profit before tax was $272 million. The strong profit growth reflected a significant increase in performance fees, with material contributions from a wide range of strategies. We have achieved this growth despite 2017 being a year where the trend following industry largely had negative performance. Our management fee profits have also grown strongly, driven by the increase in assets during the year albeit at a steadier pace than the asset growth as some of the largest inflows were into our lowest margin products. We continue to return our management fee earnings to shareholders as a dividend. As a result of this growth in management fee profitability and also the impact of a reduced share count due to our ongoing share buyback programme, our total proposed dividend per share for the year is up 20% in US Dollars.

Board focus during 2017

The focus of the Board during the year centred on delivery of the significant improvements in the quality and effectiveness of our organisation, the review of risk and the substantial new compliance requirements of the industry including MiFID II.

The Board spent time reviewing the progress that has been made in improving the consistency of performance in our discretionary alternative strategies, looking at research activity within our quant teams to develop new products and the continued development of innovative client focused solutions across the firm. In addition, significant time was spent discussing people and the culture of the business, encouraging the promotion of diversity and talent development at all levels of the organisation.

The acquisition of Aalto was completed at the beginning of the year and the Board spent time reviewing the progress and performance of this business and how well it was being integrated onto the Man platform. Potential acquisitions were also reviewed, with time spent evaluating potential opportunities that could add to the Group's growth and long term profitability.

We have continued to monitor the potential impact of Brexit and seek to ensure we are well positioned to deal with any outcome the negotiations may bring.

Funds under management

35%

increase from 2016

Adjusted profit before tax

$384m

up from $205m in 2016

Proposed dividend per share

20%

increase from 2016 in $

Remuneration

The exceptional performance of the business is reflected in a high level of bonus payment across the firm, as it is in strong returns for our clients, higher dividends and one of the best share price performances in the FTSE 250. This is an appropriate alignment of the interests of our key stakeholders.

Maintaining this alignment of experience was at the core of our review of our Directors' Remuneration policy, which shareholders will be asked to approve at the AGM in May 2018. This review included extensive consultation with a majority of our shareholders, and their representative bodies, on the most appropriate approach for executive remuneration in our business. We have been well aware of the need to address the legacy concerns on remuneration raised by some shareholders. In proposing the new policy, under which the maximum variable opportunity is substantially reduced, the Remuneration Committee has sought to demonstrate that it will act responsibly in the interests of both the Company and its shareholders. Our approach to the new policy is explained fully in the Directors' Remuneration report.

Community

At Man, we recognise that our long term future is shaped by the contribution to the communities in which we operate. Our employees are actively involved in charitable initiatives and volunteering opportunities local to the firm's offices through the ManKind Programme. ManKind gives employees the opportunity to take two additional days paid leave per annum to volunteer with charities supported by the Man Charitable Trust or with a charity of their choice. We have also set up a separate US based Charitable Trust to benefit the communities and employee volunteering activities in our local US regions. Furthermore, we have a worldwide commitment to promoting education and literacy, underscored through our sponsorship of the Man Booker Prizes and the charitable activities of the Booker Prize Foundation.

Return of capital

During 2017 we completed the share buyback programme announced in 2016. In October, we announced the return of a further $100 million to shareholders through a share buyback programme. Across the two programmes we repurchased $92 million worth of shares in total in 2017. In line with our dividend policy, the Board has announced a recommended final dividend of 5.8 cents per share, subject to approval by shareholders at the 2018 AGM.

At Man, we recognise that our long term future is shaped by the contribution to the communities in which we operate

Board changes

We were pleased to welcome Dame Kate Barker to the Board in April and to appoint Richard Berliand as Senior Independent Director in May. In September, Phillip Colebatch retired from the Board. Phillip was on the Board for ten years and during that time served as Chairman of the Remuneration Committee for eight years and Senior Independent Director for four years. On behalf of the Board, I would like to thank Phillip for his dedication to the firm and for his leadership and contribution throughout his many roles.

Outlook

2017 was a year of not only delivering excellent results, but also of building for the long term future growth and success of the business. I would like to pay tribute to the management team led by Luke Ellis and all our people for what has been achieved.

We will continue to build on this good base by investing in our people, our technology and developing innovative investment strategies to deliver value both to our clients and the millions of pensioners and investors they represent and to our shareholders.

Lord Livingston of Parkhead
Chairman

STRATEGIC FRAMEWORK

We aim to generate outperformance for our clients and therefore grow our business. We achieve this through the quality of our research and innovation, our ability to understand and meet the needs of our clients and operating the business efficiently to generate long term value for our shareholders.

Key reads

Our strategic priorities

Innovative investment strategies

Generating outperformance for clients through high quality research, developing our people, and the strength of our technology.

More on page 11

Returns to shareholders

Generate excess capital to either return or re-invest to maximise long term returns to shareholders.

More on page 29

Efficient and effective operations

Building institutional quality technology and infrastructure, providing scalable options for growth, whilst operating the business efficiently.

More on page 12

Strong client relationships

Building long term partnerships with clients, through a single point of contact, to understand their needs and offer solutions across our range of strategies.

More on page 12

Key performance indicators (KPIs)

Our four financial KPIs as listed below illustrate and measure the relationship between the investment experience of our clients, our financial performance and the creation of shareholder value over time.

Investment performance of key funds against relevant benchmarks and reference indices:

Related strategic priority

- Man AHL – met
- Man FRM – met
- Man GLG – met
- Man Numeric – met

Net FUM flows for the period as a percentage of opening FUM

Related strategic priority

15.8% **Target range 0%–10%**

met

Adjusted management fee EBITDA margin

Related strategic priority

27.7% **Target range 25%–40%**

met

Adjusted management fee EPS growth

Related strategic priority

20.0% **Target range 0%–20% + RPI**

met

Risks

Man Group identifies the principal risks across the firm and assesses their likely impact. We measure and monitor the size of our risks and implement controls and transactions to reduce and hedge exposure in order to ensure that they stay within our risk appetite framework.

Business risk

The key risks of investment underperformance, people, and regulatory change are all risks Man Group has to accept if it is to undertake its business.

Related strategic priority

Credit risk

The risk whereby a counterparty with which the funds or Man Group have financial transactions fails to deliver back investor or shareholder assets.

Related strategic priority

Liquidity risk

The risk of Man Group losing capital due to the Group having insufficient liquidity resources to meet its obligations in volatile market conditions.

Related strategic priority

Market risk

The risk of Man Group losing capital due to a decline in the value of the seeding book or UK pension fund.

Related strategic priority

Operational risk

Resulting from human error, inadequate or failed internal processes and systems or from external events.

Related strategic priority

Reputational risk

The risk that an incident or negative publicity undermines our reputation as a leading active investment manager.

Related strategic priority

Remuneration

Executive director remuneration is directly linked to strategy and performance, with particular emphasis on matching rewards to results over the long term. In developing our new Remuneration Policy in 2017, for approval by shareholders at the 2018 AGM, maintaining this link has been centre of our thinking.

Linked to strategy

A substantial portion of executive director remuneration is linked to success in implementing the Group's strategy. Progress against the Group's strategic priorities and KPIs provide key metrics for determining the short and long term variable pay.

See page 67 of the Directors' Remuneration report for how the proposed new policy links to our KPIs

Performance related

The variable components of total remuneration are linked to performance and deliveries for our clients and shareholders. High pay requires high performance. Achieving the maximum pay requires sustained high performance across all businesses over several years.

More on pages 74 to 77

Long term shareholder alignment

The structure of pay is designed to reflect the long term nature of the Group's business. Alignment with shareholders has been further enhanced in the new policy with a new Long Term Incentive Plan with a three year performance and subsequent two year post-vesting holding period and increased shareholding requirements to be retained after departure.

More on pages 88 to 90

Shareholder engagement

The Remuneration Committee actively seeks to understand shareholder preferences and be transparent in explaining its policy and practice. As part of the review of the Directors' Remuneration policy in 2017, the Remuneration Committee Chairman spoke to a majority of our shareholders and their representative bodies to obtain views on the most appropriate approach for executive remuneration in our business.

More on pages 54 and 86

CHIEF EXECUTIVE OFFICER'S REVIEW

2017 marked a year of excellent operating and financial performance for Man

Luke Ellis
Chief Executive Officer

Overview

During the year we made significant progress in respect of our key strategic objectives which has laid firm foundations for the longer term growth of the business. Investment performance was strong and we are pleased to have outperformed peers by 1.9% on average across our strategies. This performance has been recognised by our clients with record inflows, but more importantly we are developing better and deeper relationships with the world's largest and most sophisticated asset owners. This resulted in us adding a significant number of new relationships with strategically important asset owners during the year. We continue to add further innovative investment capabilities, for instance in Alternative Risk Premia and Private Markets, and to invest in research and innovation, whether that be machine learning techniques across our quant strategies or new discretionary teams in GLG. From a regulatory perspective an enormous amount of hard work went into ensuring we were ready to meet all MiFID II obligations at the start of 2018 with the whole firm working together to achieve this.

Investment performance was strong and we are pleased to have outperformed peers by 1.9% on average across our strategies

The strong outperformance coupled with positive momentum in markets during 2017 led to an investment performance related increase in FUM of $10.7 billion. Strong client demand for Emerging Market debt, FRM managed accounts and quant strategies led to net inflows of $12.8 billion for the year, albeit the flows were typically lower margin. The combination of these two factors as well as an FX tailwind and the acquisition of Aalto led to a 35% increase in funds under management to $109.1 billion. The growth was broad based, with our alternative and long only strategies, quant and discretionary approaches, and all of our investment engines growing their funds under management during the year.

Adjusted profit before tax increased to $384 million, compared to $205 million in 2016, principally due to a strong rebound in performance fees. We are particularly pleased to see this rebound in fees in a year which was not a favourable environment for traditional trend following strategies. This highlights the benefit of the diversified set of performance fee earning strategies both within Man AHL and across the Group. Adjusted management fee profit before tax was up 14%, growing at a steadier pace than the increase in FUM as our revenue margin compressed due to strong asset growth in lower margin strategies. Statutory profit before tax was $272 million, compared to a loss of $272 million in 2016 when we had the impairment of Man GLG and Man FRM's goodwill and intangibles. Our business continues to be strongly cash generative with adjusted profit after tax (a good proxy for operating cash flow) of $337 million in 2017.

Performance

Market overview

2017 was characterised by a bull market for risk assets. US equities ended the year at record highs, spurred by the positive sentiment from the passage of US tax reforms. The TOPIX was up 22% and despite the UK election result and the uncertainty surrounding Brexit, the FTSE 100 ended the year up 12%. Emerging markets trends were also positive with the MSCI emerging markets index up 37% for the year. Fixed income markets had a volatile year selling off substantially during the last week of June only to recover in the second half of the year with world bonds and corporate bonds ending the year up 2% and 12% respectively. Traditional energy markets such as oil and natural gas saw numerous peaks and troughs but oil prices rallied towards the end of the year.

Alternatives
Against this backdrop returns in many trend following strategies were limited, with the Barclays BTOP ending the year down 0.6%. Man AHL's traditional trend following programmes, AHL alpha and AHL diversified fared noticeably better finishing the year up 5.3% and 5.0% respectively. AHL evolution, our trend following strategy in non-traditional markets, continued its very strong track record and ended the year up 17.9%. AHL dimension, with its allocation to a range of Man AHL's strategies, ended the year up 3.9%. In contrast to the strong overall performance of Numeric, its alternative strategies had weaker performance with the largest market neutral strategy down 1.7% for the year.

Towards the end of 2016 we took steps to improve the consistency of discretionary alternatives performance through the appointment of a GLG CIO, a restructure of the risk team and efforts to bring best practices in risk management and technology to bear from across the Group. Good progress has been made with strong performance generated in 2017 and Man GLG's Alternative Strategies Dollar Weighted Composite delivering returns of 8.3%, versus the HFRX return of 6.0%. Credit strategies followed up a strong 2016 with another year of excellent performance, and Man GLG's equity strategies also had a strong year with the firm's flagship European Long-Short strategy generating returns of 6.5% in 2017, outperforming the HFRX Equity Market Neutral Hedge Index and many direct competitors.

Across our total return strategies, Alternative Risk Premia, which combines liquid strategies from Man AHL and Man Numeric, continued its strong performance since launch, ending up 10.1% for the year. The Emerging Market debt total return strategy which launched in 2016 ended the year up 2.3%, underperforming its competitors due to its bearish positioning.

Man FRM's strategies also had strong investment performance throughout the year. FRM Diversified II was up 6.2% and outperformed the HFRI Fund of Funds Conservative Index by 2.3%.

Long only
Man Numeric had another strong year generating overall net asset weighted outperformance versus benchmark of 2.1%[3]. Positive alpha generation in international strategies including Emerging Markets Core and Global Core was partially offset by weaker alpha in US stocks resulting in negative performance for US strategies including Small Cap Core and Large Cap Core.

Most of Man's discretionary long only strategies had good absolute and relative performance in 2017. However the largest individual strategy, Japan CoreAlpha with its strong value approach underperformed the TOPIX by 5.5%, as value underperformed as a style in Japan, which resulted in Man GLG's long only strategies underperforming their benchmarks by 2.5% on an asset weighted basis. The Continental European Equity strategy outperformed its reference index by 1.2% and the UK Undervalued Assets strategy outperformed its benchmark by 17.2%.

Progress against strategic priorities

Innovative investment strategies
Research and innovation is a key priority across our business. Markets do not stand still; we need to keep innovating to perform for our clients and we invest a huge amount of time and energy in research. Given our focus on maintaining outperformance, we monitor capacity across our strategies and we will regularly have various products that hit their capacity and we soft close to ensure we maintain client returns. However, the constant research and innovation effort across the firm means we will also have new strategies we have developed to help clients address their investment needs.

We added some exciting new capabilities during 2017 including Risk Premia and Private Markets

Man Alternative Risk Premia is a good example of the collective expertise across the firm helping to solve problems for our clients. Man FRM's own portfolio construction process had made clear the benefit of a liquid, cash efficient strategy uncorrelated to traditional assets, as part of an overall alternatives portfolio. They worked with Man AHL and Man Numeric to develop a multi-premia, multi-strategy, multi-asset approach allocating across four broad alternative risk factors. These systematic trading strategies have multi-level risk management and leverage Man's entire range of investment expertise. Man FRM then worked with Sales and Product Structuring to provide a suite of flexible solutions to meet individual client requirements. The strategy is up 20.9% since inception in 2015; we started marketing to clients around the world during the year and are seeing strong interest with $4.0 billion of assets raised to date and a decent sales pipeline.

We have expanded the focus of our research across the firm in machine learning and data analytics, to provide growth opportunities from utilising new research techniques and forms of data. This initiative continues to develop, and a number of new machine learning-based signals have been added to several of our quant programmes at Man AHL and Man Numeric this year. Man GLG added a machine learning team during the year in order to use this already well known cutting edge research from quant and introduce it into its discretionary offerings. We believe technology allows discretionary fund management to materially improve individual investment decisions, the implementation of those ideas and the risk management of overall portfolios. Man is particularly well positioned to bring the benefits of technology to bear on discretionary investment processes.

Another focus during 2017 was on trading and execution. We have appointed a director of trading to manage this effort across Man, bringing together traders, trading technologists and researchers. We believe this initiative will deliver superior execution results for all of our investment engines to the benefit of our clients and increasing our capacity. In many asset classes, electronic market makers are increasingly replacing traditional brokers as the principal source of liquidity and as a result a globally coordinated central execution team will allow us to better adapt to today's market structures. We have made significant efforts this year to reduce trading costs which translates directly into improved performance for clients.

We added a new private markets capability through the acquisition of Aalto Invest in January 2017, with Man Global Private Markets (Man GPM) launched at the same time. Within Man GPM, we have funded several new mandates within our global real estate debt and US residential equity strategies as well as launched a new US direct lending fund. We are encouraged by the additional commitments from longstanding clients and the initial interest shown by our clients for this new asset class within Man. In line with our overall strategy, we continue to look at other possible acquisitions, including in the private markets space to complement Aalto, continuing to ensure we remain disciplined on price, structure and cultural fit.

1 Performance figures shown net of representative management and performance fees. Past performance is not indicative of future performance.
2 Where a strategy has a formal benchmark, performance is compared to this. Where no formal benchmark has been set, "benchmark" should be taken to refer to a relative index. Relative performance is provided for illustrative purposes to provide market information and is not meant to be an accurate comparison. The strategy is managed significantly differently than the benchmark or index.
3 Numeric's net asset weighted alpha for the year to 31 December 2017 is calculated using the asset weighted average of the performance relative to the benchmark for all strategy composites available net of the highest management fees and, as applicable, performance fees that can be charged.

CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

We are developing better and deeper relationships with the world's largest and most sophisticated asset owners, adding a significant number of new strategic relationships during the year

Strong client relationships

2017 saw excellent engagement with our existing and targeted clients across the globe, as reflected in record net inflows for the year of $12.8 billion. We continued to make good progress in building long term relationships with clients and during the year we added a significant number of new relationships with strategically important asset allocators and distributors. Seeing many of our key targeted clients make their first investments with Man, and our existing clients entrusting us with further allocations is one of the best signs of the progress we have made and the strength of our business today. The trend of clients investing across the firm is also continuing with a number of existing clients investing in new products in 2017. 73% of FUM is now sourced from clients investing in two products or more and 56% of FUM from clients investing in four products or more. Furthermore, 59% of FUM is sourced from clients investing across more than one of our investment engines.

There has also been a significant amount of work done to strengthen our sales organisation which has translated into an improvement in the effectiveness of the function. The focus of the team has been on attracting and developing talent, targeting resources and building the strongest client relationships possible. 2017 saw a 55% increase in gross sales to $33.7 billion driven by strong flows into FRM managed accounts, Man's Alternative Risk Premia offering, and Emerging Market Debt strategies in particular. As highlighted previously it is important to note that the margins on these sales were lower than the average for the Group. Redemptions of $20.9 billion were across a range of strategies and in line with the redemption rate in 2016.

From a geographical perspective, whilst EMEA continues to be our biggest market, the business is now better balanced as we have seen strong growth in the US market over the last five years. Gross sales from the Americas accounted for 32% of the total sales in 2017 compared to 29% in 2016. At 31 December 2017, 27% of FUM was from clients domiciled in the Americas compared to 8% in 2012. Gross sales from the Americas have grown from $1.1 billion in 2012 to $10.8 billion in 2017.

Efficient and effective operations

We continually assess our cost base across the firm in comparison to our revenue earning capabilities to ensure we are running the business as efficiently as possible while investing for growth. We completed the restructuring initiatives that were started in 2016 with the costs of the restructuring in line with expectations. From a regulatory perspective the whole firm worked together to ensure we were ready to meet all MiFID II obligations at the start of 2018. The ongoing costs associated with MiFID II will add around $10-15 million to our cost base from 2018 onwards.

In November we moved all our London teams to the same location in the City of London. We are already seeing the significant advantages this generates for the Group and our clients, with enhanced opportunities to collaborate and to further leverage our collective investment expertise.

Our balance sheet remains strong and liquid, and we continue to support the growth of new products through our seed capital programme. We continually assess whether seeding positions support the business and a large position in a US distressed credit strategy has been redeemed as a result of a lack of investor subscriptions.

We completed our previously announced $100 million buyback in September and announced a further $100 million buyback in October. Our surplus capital at 31 December 2017 was $256 million. The proforma surplus capital including the impact of second half profits, the proposed final dividend and receipt of year end performance fees and proceeds from the redemption from the US distressed credit strategy is $460 million.

People

When I took over as CEO in 2016 I created a Senior Management Executive Committee comprising: Jonathan Sorrell, who is the President of the Group and responsible for our Sales and Marketing teams, Man GPM and Man FRM; Sandy Rattray, who is the Chief Investment Officer for the Group and responsible for Man AHL, Man Numeric and Man GLG; Robyn Grew, our Chief Administrative Officer who is responsible for Man Group's infrastructure, operations, technology, compliance, legal, human resources and facilities functions; and Mark Jones, our Chief Financial Officer, who is responsible for Finance, Investor Relations, Internal Audit and Risk for the Group. The team have provided huge support throughout this year and I would like to thank them, and more importantly everyone within Man for their contribution to the significant operating and financial progress we have made during 2017.

Outlook

In common with others, the recent moves in markets have impacted our investment performance in some areas, particularly for our momentum strategies. However, looking forward Man is well positioned, with strong fundamentals, investment in innovative strategies and a continuing pipeline of interest from clients. As ever, we remain focused on delivering long term investment performance and the highest quality service to our clients.

Luke Ellis
Chief Executive Officer

PROGRESS AGAINST OUR STRATEGY

In 2017, we have made significant progress against our strategic priorities. During 2018 we will continue to focus on research and innovation and build on new and existing client relationships, whilst running the business efficiently and investing for growth.

Innovative investment strategies

How we performed in 2017
- GLG added a machine learning team during the year and are using quant techniques in their discretionary management processes. Improvement in performance at GLG with asset weighted performance for GLG alternatives of 8.3% in 2017
- A number of machine learning-based signals added to several of our quant programmes at Man AHL and Man Numeric during the year
- Seven new strategies developed at Numeric
- Started marketing Alternative Risk Premia strategies which has raised $4.0 billion since launch

Objectives for 2018
- Maintain the consistency of performance within Man GLG
- Focus on the deployment of machine learning techniques to aid investment decision making across the Group
- Generate incremental high value add capacity in AHL
- Develop new strategies particularly through collaboration between the capabilities of Man AHL, Man FRM, Man GLG and Man Numeric to develop innovative products
- Continue the work started in 2017 on reducing execution and trading costs

Strong client relationships

How we performed in 2017
- Continued growth in clients investing across our products, with 73% of FUM from clients invested in two or more products and 56% from clients invested in four or more products
- Continued growth in the US with $4.6 billion of net inflows from clients in the Americas in 2017, up from $2.2 billion in 2016
- Added a significant number of new relationships with strategically important asset owners during the year

Objectives for 2018
- Attract and develop talent in sales, focusing on hiring required additional people and providing relevant training and development across all levels
- Target resources effectively, balancing near-term sales and asset retention, with the need to build the business longer-term from a product and client perspective
- Broaden and deepen existing client relationships and continue to develop relationships with key target clients

Efficient and effective operations

How we performed in 2017
- Completed restructuring plan implemented in 2016 to reduce our fixed cost base by $20 million. 2017 fixed cash costs down 4% to $321 million
- Continued investment in technology with a new Client Relationship management system implemented in 2017 and a new Finance and HR system planned for implementation in 2018

Objectives for 2018
- Continued focus on our cost base to ensure we run the business efficiently whilst addressing all risks and opportunities
- Selective investment in certain areas of the Group, particularly in quant and technology to ensure we remain at the forefront of our industry
- Continue to actively foster a diverse and inclusive culture across the business through the DRIVE programme and over broader D&I agenda
- Continuously review processes around MIFID II to ensure we are being as efficient as possible

Returns to shareholders

How we performed in 2017
- Completed $100 million buyback in September 2017 and announced a further $100 million buyback in October 2017
- $181 million of adjusted performance fee profits generated in 2017
- Identified and reviewed around 100 potential acquisition opportunities during the year

Objectives for 2018
- Maintain focus on balance sheet efficiency and active management of capital
- Generate additional surplus capital through performance fee profits
- Assess capital returns alongside any potential acquisition opportunities to ensure the best risk adjusted investment of capital

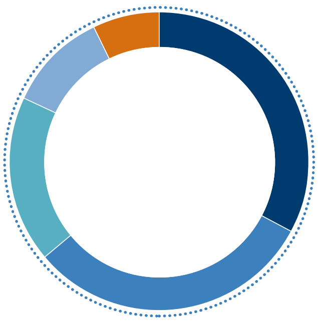
1 Performance figures shown net of representative management and performance fees. Past performance is not indicative of future performance.

DIVERSE INVESTMENT STRATEGIES

Independent yet collaborative investment teams

> Our different investment styles have significant synergies
>
> **Sandy Rattray**
> Chief Investment Officer

People by investment engine



Man AHL	167
Man GLG	160
Man Numeric	91
Man FRM	55
Man GPM	36

Our teams invest across a diverse range of strategies with highly specialised approaches, from quantitative to discretionary and alternative to long-only, accessing a broad spectrum of asset classes. Within their specialist areas, portfolio managers operate with a high degree of autonomy over their investment decisions and strategy.

Man AHL

Man AHL employs diversified quantitative techniques to offer a range of strategies which encompass traditional momentum, non-traditional momentum, multi-strategy and sector-based approaches. Man AHL applies scientific rigour and cutting-edge technology and execution to a diverse range of data in order to build systematic investment strategies, trading continuously over hundreds of global markets.

Man GLG

Man GLG is a discretionary investment engine, offering a diverse range of alternative and long only investment strategies across equities, credit and multi-asset approaches. Man GLG's investment teams are encouraged to think independently, while sharing and debating ideas, unconstrained by a house view. They are supported by robust infrastructure, technology and research to ensure that fund managers can focus on generating attractive performance for clients.

Man Numeric

Man Numeric is a quantitative equity manager invested in almost every equity market in the world. The investment engine employs disciplined and systematic investment processes, underpinned by a robust fundamental approach.

Man FRM

Man FRM is an alternatives investment specialist, deploying investment and advisory services within institutional portfolios. Man FRM provides a full service offering to clients, ranging from advisory work to customised and commingled portfolio solutions, as well as a leading, technologically innovative managed account platform.

Man GPM

Man GPM focuses on investments in private markets, including real and corporate assets across the capital structure. Launched with the acquisition of Aalto Invest in 2017, Man GPM is focused on sourcing investment opportunities offering attractive risk adjusted returns. The investment engine aims to broaden Man Group's offering into illiquid assets such as real estate, private credit and infrastructure, further diversifying the Group and offering our clients more comprehensive investment opportunities.

Our business has five specialist investment units, or engines, which represent our capabilities: Man AHL, Man Numeric, Man GLG, Man FRM and Man GPM. These engines house numerous investment teams, working both independently and collaboratively within the framework of Man Group. Each team benefits from the strength and resources of the firm's single operating platform, enabling their focus to be on delivering outperformance for clients.

Worldwide markets

650

different markets that Man AHL operates in at 31 December 2017

Investment strategies

72

different investment strategies and solutions run across the Group at December 2017

INNOVATIVE SOLUTIONS

Creative and tailored solutions for our clients

“Research and innovation are a priority across all our investment engines as we seek to generate superior risk adjusted returns for our clients and develop innovative new strategies over time

Luke Ellis
Chief Executive Officer

EM Debt sales
$4.2bn
in 2017

Risk Premia performance
10.1%
in 2017

Alternative Risk Premia

Developed over the last couple of years using expertise from across the Group, our Alternative Risk Premia strategies aim to offer uncorrelated returns within very liquid markets. Man has a long history of researching, implementing and executing alternative risk factors and this strategy leverages one of the world's largest quantitative R&D groups into alternative factor investing. We started marketing the strategy in early 2017 and it has proved of growing interest to clients due to its liquidity and uncorrelated return profile. $4.0 billion has been raised in the strategy to date and there is a good pipeline of interest from clients. Performance of this strategy has also been strong, it was up 10.1% in 2017 and is up 20.9% since inception in 2015.

EM Debt

GLG's Emerging Markets Debt strategies provide our clients access to the complex offerings of Emerging Markets debt through local currency rates, hard currency debt, and debt total return. The strategies are run by a team headed up by Guillermo Osses, who joined Man in 2015 and has broad experience across all aspects of emerging markets debt investing including credit analysis, currency and rates trading. The investment team working on this strategy combine deep fundamental research with top down and quantitative screening. Launched in April 2016, we have raised $5.3 billion into the strategies to date and we continue to see ongoing interest from clients.

Managed Accounts

Initially launched in 1998, Man FRM's Managed Accounts platform is an alternative way of investing in hedge funds that allows our clients to have increased transparency and control over their investment while also decreasing costs and gaining access to differentiated and high quality hedge fund return streams. We currently have $16.4 billion FUM in 66 actively managed accounts. Our custom developed reporting tool, Clarus, allows investors to easily survey their investments and chart their returns against comparisons as well as within different time frames. This platform has grown by 15% in 2017, largely due to the growing demand for more transparent and accessible hedge fund investing.

1 Performance figures shown net of representative management and performance fees. Past performance is not indicative of future performance.

Man Group is a diverse firm that benefits from a variety of investment opportunities and strategies. As there is rarely a single 'right' answer to the question of how to invest, we engage in close dialogue with clients as partners, to understand their particular needs and constraints. Our breadth of capabilities and infrastructure allows us to design customised solutions to meet the specific requirements of clients, and best serve their unique situations.

STRONG CLIENT RELATIONSHIPS

One point of contact across the Group

> Our clients have a single point of contact within our sales team, who understands them and their needs

Jonathan Sorrell
President

Building deeper client relationships

Our priority is to build long term partnerships with our clients, through one key point of contact, who understands the clients' needs and is able to offer answers from across the broad range of our strategies. We have made significant progress in building relationships with strategically important asset owners over the past few years. We continue to see our clients investing in a number of different strategies across the Group, with 56% of FUM coming from clients invested in more than two products. Clients are also increasingly investing across our different investment engines, with 59% of FUM from clients invested in more than one investment engine. We believe this theme will continue as institutional investors look to work with fewer providers.

Geographic coverage

Our business is well balanced geographically. EMEA is our biggest market with 55% of FUM from clients in this region. The US has been our main geographical focus for growth for a number of years and we have seen growth in this region accelerate over the last five years with 27% of FUM from clients in the Americas in 2017 compared to 8% in 2012. 18% of FUM comes from clients in the Asia Pacific region.

The sales team

Investor requirements vary significantly across investor types, geography and regulatory jurisdiction. With a well established network of offices in key locations and developed regulatory relationships in all of the markets in which we operate, Man has a powerful level of insight into investor preferences as well as regulatory requirements. Our sales offices are predominantly staffed with local people such that investors and distributors can interact with specialists who speak their language and understand the culture and particular nuances of doing business in that region. We have 95 sales and marketing people covering the EMEA region, 29 covering the Americas and 48 covering the Asia Pacific region who learn extensively about each of our investment engines and have a broad knowledge of the product set available to clients.

Global Sales and Marketing people

172

at 31 December 2017

Net flows

$12.8bn

in 2017

Building long term relationships with our clients is key to growing organically, particularly as an institutionally focused business. The breadth of our investment strategies and the strength of our structuring capabilities mean that we have the resources and experience necessary to support a wide range of clients.

TECHNOLOGY EMPOWERED

At the forefront of quantitative innovation

> We go out of our way to create an excellent environment for the very best technologists
>
> **Robyn Grew**
> Chief Administrative Officer

Machine learning

Simply defined, machine learning is a process in which a range of applied algorithms identify repeatable patterns and relationships within observed data. The combined fields of computer science, information engineering and mathematics all contribute to machine learning making it a hybrid discipline that encompasses many schools of thought. We do not generally view it as a replacement for human ability, but as a tool to enable investors to benefit from areas where the amount of data or subtlety of patterns are best handled by a machine.

Machine learning techniques have been researched at Man for over 6 years and it is a part of what we do. At the Oxford Man Institute of Quantitative Finance (OMI), we have moved away from researching techniques in general quantitative finance and have focused our efforts in on the autonomous machine learning process. We have already implemented these autonomous algorithms in both our quantitative and discretionary investment engines as well as in execution, and we expect it to play a role in everything we do in the next decade.

Data

At Man we use data in a comprehensive way across all of our investment engines. Within Man AHL, we use hundreds of data sources to develop and improve our strategies, with each dataset bringing a unique insight into how markets trade. We have dedicated teams, such as the Data Innovation team in Man AHL, which seek out exciting new datasets and bring them into our investing strategies. We recognise that to transform data into knowledge, we need market acumen, technology and mathematics. We rely on our thirty years of trading experience to provide us with business intuition and invest in a sophisticated data infrastructure and in advanced machine learning techniques to utilise data both within Man AHL and across the Group.

Infrastructure

Investing in our infrastructure is key to staying ahead of the curve. We have worked hard to enhance our operating systems to meet MiFID II requirements and our changing regulatory environment. We have appointed a Director of Trading and are implementing advanced trading systems in order to build a centre of excellence across trading in all areas of the Group. This year we have delivered a new Client Relationship Management system in sales and we use technology to help our clients understand their portfolios through the Clarus platform. We also intend to upgrade our Finance and HR software in order to maintain our competitive advantage and to continue attracting top people across the industry.

At Man, we use innovative financial technology and quantitative techniques across our business, and believe this enables us to deliver results for clients. We are committed to being a leader in this area, and continually invest in talent, technology and research as we strive to be at the forefront of the industry. We have a unique partnership with the University of Oxford, the Oxford Man Institute, conducting field-leading research into machine learning and data analytics, which can be applied to investment management across our investment engines.

Quantitative investment management experience

30

Man AHL was established in 1987 and Man Numeric was established in 1989

Quants and technologists

458

In Man Group at 31 December 2017

KEY PERFORMANCE INDICATORS

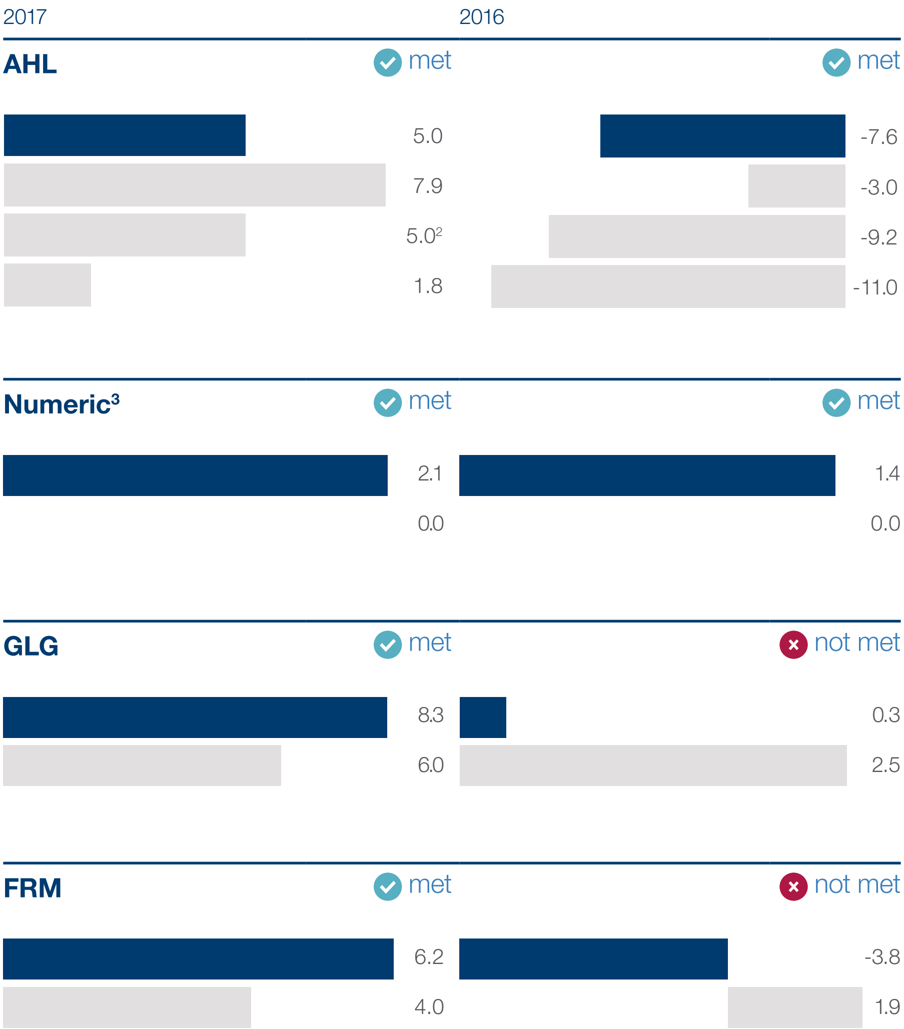
Our financial KPIs illustrate and measure the relationship between the investment experience of our clients, our financial performance and the creation of shareholder value over time. As indicated in the Directors' Remuneration report on page 70 our KPIs are a key determinant of the remuneration of the executive directors and are used to regularly evaluate progress against our key strategic priorities of research and innovation, strong client relationships, and efficient and effective operations, which together drive returns to shareholders. Our alternative performance measures are discussed on pages 147-150.

The results of our KPIs this year reflect the increase in our FUM base as a result of strong organic growth due to good performance and flows. We had strong outperformance for Numeric and GLG, and good relative performance for AHL, although absolute performance was more moderate, and FRM fund of funds. We achieved record net inflows, largely driven by strong asset raising in total return and multi-manager solutions strategies. Management fee revenue and profitability increased in 2017, despite margin compression as a result of growth in lower margin strategies, due to higher average FUM and a reduction in our fixed costs base.

Investment performance[1]

Target: Fund vs Benchmark

● Actual ● Benchmark



Link to strategy

The performance of the key strategies compared to the benchmarks gives an indication of the competitiveness of our investment performance against similar alternative investment styles offered by other investment managers.

The investment performance KPI measures the net investment performance for our managers (AHL, Numeric, GLG and FRM), excluding GPM which was established as a result of the acquisition of Aalto during the year. For AHL, GLG and FRM, investment performance is represented by key strategies against relevant external benchmarks/ reference indices. For Numeric, investment performance is monitored by the net asset weighted outperformance or underperformance (alpha)[3] based on a predetermined benchmark by strategy. The target for the investment performance KPI is to exceed the relevant benchmarks.

The key strategies and the relevant benchmarks are AHL Diversified versus three key peer asset managers for AHL (the target being to beat two of the three peers), the GLG Alternative Strategies Dollar-Weighted Composite versus HFRX for GLG and FRM Diversified II versus HFRI Fund of Funds Conservative Index for FRM. For Numeric, net asset weighted outperformance is based on a benchmark against reference indices by Numeric strategy.

Comments

We achieved all four of the performance targets, with the performance of AHL's diversified strategy exceeding two out of three of the relevant peer benchmarks, GLG and FRM's metrics exceeding their relevant benchmarks, and Numeric achieving positive net alpha[3] in 2017. Further investment performance information is provided on page 11.

From 2018, in order to ensure the relative investment performance KPI reflects the continued diversification of our business, this KPI will change to a measure of asset weighted outperformance of strategies versus benchmark. This will provide a more complete and balanced view across Man's product base as it will include all strategies against which relevant peer benchmarks are available, as opposed to certain identified key strategies as outlined above, and be weighted based on FUM. This measure will be more dynamic as this will change as the business continues to evolve, in line with Man's strategic priorities.

1 Where funds have a formal benchmark, performance is compared to this. Where no formal benchmark has been set, 'benchmark' should be taken to refer to a relative index.
2 On an unrounded basis the AHL Diversified performance was above the benchmark.
3 Numeric's net asset weighted alpha for the periods stated is calculated using the asset weighted average of the performance relative to the benchmark for all strategy composites available net of the highest rate of management fees charged and, as applicable, performance fees that can be charged.

We have made some changes to our KPIs which will be effective from the 2018 financial year. These changes have been made in order to ensure our KPIs continue to reflect best practice in alignment with the Group's business strategy and delivery of shareholder value, which also aligns with proposed changes to the Directors' Remuneration Policy (see page 67). The changes are outlined in the sections below.

Measure against our strategy

We clearly link each of our KPIs to our four strategic priorities

Innovative investment strategies

Strong client relationships

Efficient and effective operations

Returns to shareholders

Net flows (%)

Target
0%–10%

met

2016	2.4
2017	15.8

Link to strategy

This KPI measures net FUM flows for the period as a percentage of opening FUM, with net flows defined as gross sales less gross redemptions. Net flows are the measure of our ability to attract and retain investor capital. FUM drives our financial performance in terms of our ability to earn management fees.

Comments

Net flows of 15.8% in 2017 were at record levels and above the target range, which is indicative of the strong net inflows into our total return and multi-manager solutions strategies, as well as inflows into discretionary long only and absolute return strategies, partially offset by smaller net outflows from systematic long only strategies and guaranteed products.

Adjusted management fee EBITDA margin (%)

Target
25%–40%

met

2016	26.1
2017	27.7

Link to strategy

This KPI measures adjusted management fee EBITDA as a percentage of net revenues (gross management fee revenue and income from associates less cash distribution costs). Our adjusted management fee EBITDA margin is a measure of our underlying profitability.

Comments

The adjusted management fee EBITDA margin of 27.7% was within the target range for the year ended 31 December 2017, compared to 26.1% for the year ended 31 December 2016. The margin increased in 2017, reflecting the lower compensation ratio and a reduction in fixed costs due to a more favourable hedged US Dollar to Sterling rate and continued efforts on achieving efficiencies within our cost base. For further information see page 27.

Effective from the 2018 financial year, the adjusted management fee EBITDA margin KPI will be removed. Profit margin and overall profitability remain key priorities for the Board. These are reflected in adjusted profit before tax which has been added as a new KPI. Adjusted profit before tax is a measure of overall profitability and also reflects the fact that performance fees, although volatile in nature, are a key revenue stream for Man and a significant component of value creation for shareholders.

Adjusted management fee EPS growth

Target
0%–20% + RPI of 4.1%

met

2016	-11.8
2017	20.0

Link to strategy

This KPI measures our adjusted management fee EPS growth, where adjusted management fee EPS is calculated using post-tax profits excluding net performance fees and adjusting items, divided by the weighted average diluted number of shares. Adjusted management fee EPS growth measures the overall effectiveness of our business model, and drives both our dividend policy and the value generated for shareholders.

Comments

The adjusted management fee EPS growth of 20.0%, from 9.0 cents to 10.8 cents, was within the target range for 2017. Adjusted management fee EPS growth is largely driven by the higher net management fee revenues, a reduction in our fixed costs base despite growth in the business, a slightly lower tax rate and higher profits per share due to the impact of share repurchases which reduce the number of shares. For further information on EPS, see page 149.

CHIEF FINANCIAL OFFICER'S REVIEW

"We achieved positive absolute and relative performance and flows across the business, despite a challenging year for many trend followers. The continued diversification of our business and strong organic growth has provided a solid basis on which we have improved both our management and performance fee profitability

Mark Jones
Chief Financial Officer

Overview

We are pleased to report strong growth in funds under management (FUM), up 35% to $109.1 billion. The increase was driven by positive investment performance of $10.7 billion in a generally supportive market environment for asset managers, largely from our long only strategies, and record net inflows of $12.8 billion which were driven by demand for our emerging market debt, FRM managed accounts, risk premia and quant absolute return strategies. The acquisition of Aalto in January 2017 added $1.8 billion of FUM. In addition, FUM increased due to FX movements of $3.1 billion primarily as a result of the US Dollar weakening against the Euro, Sterling and Australian Dollar during the year. We have continued to see attrition of our management fee margins which is primarily driven by mix effects, as well as the continued roll-off of guaranteed product FUM. As a result, the growth in net management fees has been more gradual in relation to the movements in FUM.

Net management fee revenue was $736 million for the year, an increase of 7% from prior year as a result of the increase in FUM, partially offset by margin compression as outlined above. We have continued to diversify our business, with net management fees from guaranteed products falling from $31 million to $12 million in 2017 as this legacy business runs off.

Performance fee revenues increased to $289 million from $81 million in 2016, with positive performance across a diverse range of strategies.

We continue to focus our efforts on operating the business efficiently while investing in research to build innovative strategies for clients. Continued focus on cost control, as well as a more favourable hedged US Dollar to Sterling rate, have achieved a reduction in our fixed cash costs despite growth in the business.

Statutory profit before tax was $272 million, which has increased from the 2016 statutory loss before tax of $272 million largely as a result of the non-cash impairment of goodwill and intangible assets of $379 million in 2016. Statutory earnings per share were 15.3 cents (2016: loss of 15.8 cents per share). Our adjusted profit before tax was $384 million, up from $205 million in the prior year, and adjusted earnings per share were 20.3 cents (2016: 10.4 cents). The majority of this improvement was caused by the adjusted performance fee profit before tax increasing to $181 million, up from $27 million in 2016, which reflects solid performance across our strategies. Adjusted management fee profit before tax was $203 million, up from $178 million in 2016, as a result of higher net management fees and a lower compensation ratio, as well as the reduction in fixed cash costs. Core management fee profit before tax[1], which excludes net management fees relating to guaranteed products, sales commission income from Nephila and share of post-tax profits of associates, increased to $178 million from $132 million in 2016.

Our balance sheet remains strong and liquid, with net tangible assets of $669 million or 41 cents per share at 31 December 2017. Our regulatory surplus capital is $256 million at 31 December 2017, and our proforma surplus capital is $460 million. We expect the change in the lease accounting standard, which is applicable from 1 January 2019, to reduce our surplus capital from 2019 by approximately $120 million (£90 million), primarily due to our property lease at Riverbank House. This accounting change has no impact on our lease payments or our cash flows (see further discussion on page 112). We have a net cash position of $206 million and we continue to be strongly cash generative with operating cash flows, excluding movements in working capital, of $431 million (2016: $245 million). Adjusted management fee earnings per share, the basis for our dividend payments, has increased to 10.8 cents from 9.0 cents in 2016. Our focus remains on ensuring the business continues to generate strong cash flows to either return to shareholders or invest to generate improved cash flows in the future. In line with this approach, in 2017 we announced a further $100 million share repurchase, and completed the acquisition of Aalto.

1 Refer to pages 147-150 for details of the Group's alternative performance measures.

Funds under management (FUM)

$bn	Alternative: Absolute return	Alternative: Total return	Alternative: Multi-manager solutions	Long only: Systematic	Long only: Discretionary	Total excluding Guaranteed	Guaranteed	Total
FUM at 31 December 2016	**25.4**	**6.6**	**11.8**	**21.4**	**15.3**	**80.5**	**0.4**	**80.9**
Sales	6.9	9.2	5.8	4.2	7.6	33.7	–	33.7
Redemptions	(6.3)	(1.0)	(2.9)	(4.8)	(5.8)	(20.8)	(0.1)	(20.9)
Net inflows/(outflows)	0.6	8.2	2.9	(0.6)	1.8	12.9	(0.1)	12.8
Investment movement	2.1	0.1	0.5	5.8	2.2	10.7	–	10.7
Foreign currency movement	0.8	0.4	0.4	0.2	1.3	3.1	–	3.1
Other movements	0.3	(0.6)	0.4	–	(0.2)	(0.1)	(0.1)	(0.2)
Acquisition of Aalto	–	1.8	–	–	–	1.8	–	1.8
FUM at 31 December 2017	**29.2**	**16.5**	**16.0**	**26.8**	**20.4**	**108.9**	**0.2**	**109.1**

As our business has evolved, we have changed the categorisation of our FUM such that it better represents strategies with similar characteristics, as detailed below.

Absolute return
Absolute return FUM relates to alternative strategies where clients expect the strategy may have net long, short or neutral exposure, and that may make use of leverage to achieve those exposures. This includes trend following and discretionary long-short strategies. Absolute return FUM increased by 15% during the year, driven by strong investment performance across the range of strategies in this category. Net inflows were $0.6 billion, which included $1.3 billion into institutional solutions, $0.5 billion into Numeric market neutral and $0.3 billion into AHL evolution strategies, partially offset by outflows of $0.5 billion from GLG market neutral, $0.5 billion from our GLG equity long short strategies and $0.6 billion from traditional trend following strategies AHL diversified and alpha. The positive investment movement of $2.1 billion was a result of very strong performance for AHL evolution, and good broad-based performance across both quant and discretionary absolute return strategies. Positive foreign exchange movements related to the US Dollar weakening against the Euro, Australian Dollar and Sterling. Other movements primarily relate to leverage changes in quant products.

Total return
Total return FUM relates to alternative strategies where clients expect the strategy to have some positive exposure to particular risk factors over the course of a market cycle although the level of exposure may vary over time. This includes EM debt total return, GPM, risk premia, and CLO strategies. Total return FUM increased by $9.9 billion during the year to $16.5 billion. Net inflows of $8.2 billion were primarily driven by strong interest in the risk premia and EM debt total return strategies. Investment movement was $0.1 billion for the year, largely due to muted performance for EM debt total return. Positive foreign exchange movements related primarily to the weakening of the US Dollar against the Euro and Sterling. The negative other movements relate to CLO maturities during the year. In 2017 we acquired Aalto, a US and Europe based real asset focused investment manager with $1.8 billion of FUM at acquisition, which has enabled us to further diversify our client offering.

Multi-manager solutions
Multi-manager solutions FUM includes traditional fund of fund and infrastructure and segregated mandates. Multi-manager solutions FUM increased by $4.2 billion, primarily as a result of strong net inflows during the year. Net inflows of $2.9 billion included $2.1 billion of infrastructure mandates and $2.2 billion into segregated portfolios, partially offset by net outflows of $1.3 billion from traditional fund of fund strategies. The investment movement of $0.5 billion was largely driven by infrastructure mandates, where investment decisions are made by the investors. Positive foreign exchange movements were primarily due to the weakening of the US Dollar against the Australian Dollar, Sterling and Japanese Yen.

Systematic long only
Systematic long only FUM relates to the previous quant long only category. Systematic long only FUM increased by $5.4 billion during the year, as a result of strong investment performance, partially offset by $0.6 billion of net outflows. These outflows were concentrated in the fourth quarter and were driven by client rebalancing following the strong equity market moves during the year. Net outflows largely related to redemptions from the small cap growth and all cap core strategies. Investment performance of $5.8 million was largely driven by market moves and strong relative performance in international strategies, with Numeric's overall net asset weighted outperformance against applicable benchmarks of 2.1%[1] for the year.

Discretionary long only
Discretionary long only FUM increased by 33%, driven by strong performance, positive net inflows and foreign exchange movements. Net inflows of $1.8 billion were largely driven by flows into Japan core alpha, continental European equity and EM fixed income strategies. The positive investment movement of $2.2 billion was driven by performance from our Japan core alpha, UK undervalued assets, continental Europe and European equities strategies. Positive foreign exchange movements related to the weakening of the US Dollar against Sterling and the Euro.

Guaranteed products
Guaranteed product FUM reduced by $200 million during the year. There were no sales and redemptions totalled $100 million. Investment performance for guaranteed products was broadly flat during the year. Other negative movements relate to maturities and de-gearing.

1 Numeric's net asset weighted alpha for the year to 31 December 2017 is calculated using the asset weighted average of the performance relative to the benchmark for all strategy composites available net of the highest management fees and, as applicable, performance fees that can be charged.

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

Summary income statement

$m	Year ended 31 December 2017	Year ended 31 December 2016
Gross management and other fees[1]	**784**	750
Share of post-tax profit of associates	**8**	2
Distribution costs	**(56)**	(61)
Net management fee revenue	**736**	691
Performance fees[1]	**289**	81
Gains on investments[2]	**44**	31
Net revenue	**1,069**	803
Asset servicing	**(37)**	(33)
Fixed compensation[3]	**(174)**	(182)
Variable compensation	**(300)**	(206)
Other costs[1,3]	**(165)**	(166)
Total costs	**(676)**	(587)
Net finance expense[3]	**(9)**	(11)
Adjusted profit before tax[3]	**384**	205
Adjusting items[3] (see page 148)	**(112)**	(477)
Statutory profit/(loss) before tax	**272**	(272)
Adjusted management fee profit before tax[3]	**203**	178
Adjusted performance fee profit before tax[3]	**181**	27
Statutory diluted EPS profit/(loss)	**15.3 cents**	(15.8) cents
Adjusted management fee EPS[3]	**10.8 cents**	9.0 cents
Adjusted EPS[3]	**20.3 cents**	10.4 cents

1 Management and other fees also includes $3 million (2016: $4 million) of management fee revenue, performance fees include $2 million (2016: $nil) of performance fee revenue, and other costs includes a $1 million (2016: $2 million) deduction of costs relating to line-by-line consolidated fund entities for the third-party share (per Group financial statements Note 13.2 on page 124).
2 Gains on investments includes income or gains on investments and other financial instruments of $64 million (2016: $52 million), less $14 million (2016: $15 million) of third party share of gains relating to line-by-line consolidated fund entities, less the reclassification of management fee revenue of $3 million (2016: $4 million), performance fee revenue of $2 million (2016: $nil) and other costs of $1 million (2016: $2 million) as above.
3 We separately identify adjusting items to our statutory Group income statement and related metrics in order to give a better understanding of the underlying profitability of the business. Details of these alternative performance measures and reconciliations to their statutory equivalents are provided on pages 147-150.

	Year ended 31 December 2017		Year ended 31 December 2016	
	$m	**Net margin**	$m	Net margin
Absolute return	**370**	**1.38%**	374	1.47%
Total return	**68**	**0.56%**	27	0.47%
Multi-manager solutions	**65**	**0.45%**	72	0.63%
Systematic long only	**89**	**0.36%**	70	0.36%
Discretionary long only	**119**	**0.67%**	102	0.67%
Core net management fee revenue[1]	**711**	**0.75%**	645	0.83%
Guaranteed	**12**	**5.04%**	31	4.28%
Other income[2]	**5**		13	
Net management fee revenue before share of after tax profit of associates	**728**	**0.76%**	689	0.87%
Share of post-tax profit of associates	**8**		2	
Net management fee revenue[3,4]	**736**		691	

1 Details of these alternative performance measures are included on page 147.
2 Other income primarily relates to a distribution agreement for Nephila products, which ceased in April 2017 (Note 17 to the Group financial statements).
3 Net management fee revenue also includes $3 million (2016: $4 million) of management fee revenue relating to line-by-line consolidated fund entities for the third-party share.
4 Includes $56 million (2016: $61 million) of distribution costs which have been deducted from gross management and other fees of $784 million (2016: $750 million).

Net management fee revenue and margins

Net management fees revenue, excluding share of post-tax profit of associates, grew by 6% to $728 million in 2017. The increase is driven by growth in FUM from core activities during the year, partially offset by continued margin compression and the roll off of guaranteed product FUM. There is $200 million of guaranteed product FUM remaining at 31 December 2017 and therefore there will be less of an impact of declining revenue from these assets going forward.

The Group's total net management fee margin[1] decreased by 11 basis points during the year to 76 basis points, compared to 87 basis points in 2016. The decline in the overall net margin continue to be driven by mix effects. Around half of the move is the mix effects from the net inflows in the year, particularly the infrastructure mandates in FRM. Better performance and FX gains from our lower margin strategies further lower the Group's net margin, with the remainder of the move from the continued run off of guaranteed products and from small pricing adjustments or the mix of clients within individual funds.

Excluding guaranteed products, the overall net margin decreased by 8 basis points to 75 basis points.

During the year, the absolute return net management fee margin decreased by 9 basis points as a result of the continued mix shift towards institutional assets which are at a lower margin. We expect the absolute return margin will continue to gradually decline as the shift towards institutional assets continues.

The total return net management fee margin has increased by 9 basis points as result of the growth in emerging market debt and risk premia strategies as well as the acquisition of Aalto during the year. In 2016 the total return category largely comprised CLO strategies which are at a lower margin.

The multi-manager solutions net management fee margin decreased to 45 basis points in 2017 from 63 basis points in 2016 as a result of the shift in FRM's business from traditional fund of funds to that of solutions provider, with significant inflows into infrastructure mandates and segregated portfolios over the year where margins are materially lower. The multi-manager solutions margin is expected to decline further as the shift towards lower margin services continues.

The systematic long only net management fee margins were stable during the year. Discretionary long only net management fee margins also remained stable during the year at 67 basis points.

Core net management fee revenue[1], which excludes legacy guaranteed product net management fee revenues, other income and share of post-tax profit of associates, have increased by 10% as a result of strong growth in FUM partially offset by margin compression as detailed above.

The guaranteed product net management fee margin increased by 76 basis points compared to 2016 due to maturities from lower margin products during the year.

The Group run rate net management fee margin[1] at 31 December 2017 was 72 basis points, and the run rate net management fee revenue[1] was $789 million.

1 Refer to pages 147-150 for details of the Group's alternative performance measures.

Performance fees
Gross performance fees for the year were $289 million compared to $81 million in 2016, which included $145 million from AHL (2016: $50 million), $85 million from GLG (2016: $9 million), $52 million from Numeric (2016: $19 million), $5 million from GPM (2016: nil) and $2 million from FRM (2016: $3 million), with performance fee generation across a range of strategies as a result of the continued diversification of our business.

At 31 December 2017, around 65% of AHL FUM ($13.1 billion) were above performance fee high water mark and 21% ($4.2 billion) were within 5% of high water mark. Of the $11.1 billion performance fee eligible Numeric strategies, 85% were outperforming the relevant benchmark at 31 December 2017. Around 48% of eligible GLG assets ($5.3 billion) were above high water mark and a further 44% ($4.9 billion) were within 5% of high water mark at year end. Fund of fund performance fee eligible products were on average approximately 2% below high water mark at 31 December 2017.

The Group benefits from a diversified portfolio of performance fee streams across a variety of strategies that are charged on a regular basis at different points in the year. 85% of AHL FUM is performance fee eligible, of which 83% have performance fees that crystallise annually (mainly in June and December), 13% daily or weekly, and 4% monthly. The majority of performance fees from GLG crystallise semi-annually in June or December. Around 40% of our systematic long only performance fee eligible FUM crystallises annually in November, with the remainder crystallising at various points during the year.

Investment gains
Investment gains of $44 million (2016: $31 million) primarily relate to gains on seeding investments on a year end seeding book of $480 million (2016: $642 million).

Asset servicing
Asset servicing costs include custodial, valuation, fund accounting and registrar functions, and vary depending on transaction volumes, the number of funds, and fund NAVs. Asset servicing costs were $37 million (2016: $33 million), which equates to around 5.5 basis points of average FUM, excluding systematic long only and GPM strategies, in line with prior year. In 2018, asset servicing costs are expected to increase to around 7 basis points on FUM, excluding systematic long only and GPM strategies, due to the inclusion of MiFID II related research and administration costs.

Compensation costs
Compensation costs comprise fixed base salaries, benefits, variable bonus compensation (cash and amortisation of deferred compensation arrangements) and associated social security costs. In addition, during 2017 we completed the restructuring plan which commenced in 2016, with the final $4 million of the $21 million planned restructuring compensation costs recognised in 2017 (an adjusting item per page 148).

Total compensation costs, excluding adjusting items, were $474 million for the year, up by 22% compared to $388 million in 2016. Overall compensation costs increased as a result of higher management and performance fee revenues. Fixed compensation decreased by 4% despite growth in net management fee revenues, which largely reflects the more favourable hedged US Dollar to Sterling rate in 2017 as well as cost efficiencies. Variable compensation increased by 46%, which is above the 33% increase in net revenue due to the increase in performance fee revenue earned. The overall compensation ratio[1] in 2017 was 44%, a decrease from 48% in 2016, as a result of the significant increase in performance fee revenue. The Group's compensation ratio is generally between 40% and 50% of net revenues, depending on the mix and level of revenue. We expect to be at the higher end of the range in years when absolute performance fees are low and the proportion from Numeric and GLG is higher, and conversely we expect to be at the lower end of the range when absolute performance fees are high and the proportion from AHL and FRM is higher.

1 Refer to pages 147-150 for details of the Group's alternative performance measures.

Included within variable compensation is a $4 million expense relating to the pay-out of performance fee related carry from Aalto, which crystallised post-acquisition.

Other costs
Other costs, excluding adjusting items as outlined on page 148, were $165 million for the year (2016: $166 million). These comprise cash costs, including occupancy, technology, consultancy and professional fees, of $147 million (2016: $152 million) and depreciation and amortisation of $18 million (2016: $14 million). Similar levels of cash costs were incurred in 2017 despite increased net management fee revenues compared to 2016, which reflects a more favourable hedged rate in 2017 as well as continued discipline on costs. Depreciation and amortisation has increased by $4 million this year due to higher levels of capital expenditure in 2016 and 2017, which is largely due to software development projects across our operating platforms. Depreciation and amortisation are expected to continue to increase over the next few years as a result of increased investment in our infrastructure.

We incurred $7 million of other costs during the year which largely relate to the associated onerous property leases arising (an adjusting item per page 148) following the centralisation of our London resources into one location.

Net finance expense
Net finance expense, excluding the unwind of discount on contingent consideration which is classified as an adjusting item as outlined on page 148, was $9 million for the year (2016: $11 million) and includes interest payable on borrowings as well as the ongoing costs for the Group's revolving credit facility, which was renegotiated from $1,000 million to $500 million in October 2016.

Adjusted profit before tax
Adjusted profit before tax, as further detailed on page 148, is $384 million compared to $205 million for the previous year. The adjusting items in the year of $112 million (pre-tax) are summarised in the table below, and are detailed on page 148. The directors consider that the Group's profit is most meaningful when considered on a basis which excludes acquisition and disposal related items (including non-cash items such as amortisation of purchased intangible assets and deferred tax movements relating to the recognition of tax assets in the US), impairment of assets, costs relating to substantial restructuring plans, and certain significant event driven gains or losses, which therefore reflects the revenues and costs that drive the Group's cash flows and inform the base on which the Group's variable compensation is assessed.

Adjusting items $m	Year ended 31 December 2017
Revaluation of contingent consideration creditors	**(15)**
Unwind of contingent consideration discount	**(26)**
Compensation restructuring costs	**(4)**
Other restructuring costs	**(7)**
Reassessment of litigation provision	**24**
Amortisation of acquired intangible assets	**(84)**
Total adjusting items (excluding tax)	**(112)**
Recognition of deferred tax asset (refer to page 28)	**17**

Adjusted management fee, Core management fee, and Performance fee profit before tax
Adjusted management fee profit before tax was $203 million compared to $178 million in 2016, an increase of 14% as a result of the increase in management fees and a lower increase in related costs. Adjusted performance fee profit before tax of $181 million (2016: $27 million) for the year reflects the higher performance fees generated across the business.

Core management fee profit before tax has increased by 35% from $132 million to $178 million, reflecting strong growth in management fees excluding income from legacy business.

Details and reconciliation of these measures are provided on page 149.

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

Taxation

The tax charge on the statutory profit for the year was $17 million (2016: tax credit of $6 million on statutory loss), which equates to an effective tax rate of 6%. The majority of Man's profits are earned in the UK, with significant profits also arising in the US, where our tax rate is effectively nil as a result of available tax assets, and in Switzerland, which has a lower rate than the UK.

The underlying rate on adjusted profit of 14% (2016: 13%) represents the statutory tax rates in each jurisdiction in which we operate applied to our geographical mix of profits. The effective tax rate on adjusted profit was 12% (2016: 14%), which is lower than the underlying rate principally as a result of the reassessment of tax exposures globally during the year.

In the US, we have $174 million of accumulated federal tax losses which we can offset against future profits from US entities and will therefore reduce taxable profits. In addition, we have $493 million of tax deductible goodwill and intangibles, largely relating to the Numeric (2014) and Ore Hill (2008) acquisitions, which are amortised for tax purposes in the US over 15 years and which reduce US taxable profits in future periods. We therefore expect not to pay federal tax in the US for a number of years. Effective from 1 January 2018 the US federal tax rate has decreased from 35% to 21%, which we have incorporated into assessment of our US deferred tax balances at 31 December 2017. As a result of our available US federal tax assets, we do not expect this change to have an impact on our effective tax rate for a number of years. Based on forecast US taxable profits and consistent with the methodology applied in prior years, the Group has a deferred tax asset on the balance sheet of $42 million (2016: $25 million) which represents probable tax savings over a three year forecast period due to the utilisation of these losses and future amortisation of intangibles. This has resulted in a $17 million net credit to the tax expense in the year (2016: $6 million credit), which is included as an adjusting item (page 148). The increase represents projected year on year growth in our US business, partially offset by the reduction in the US federal tax rate from 35% to 21% from 1 January 2018. Further details on this deferred tax asset are given in Note 7 to the Group financial statements.

Should the earnings profile of the Group in the US increase significantly this could result in the earlier recognition of the US deferred tax asset in full and as a result the tax rate for the Group would change in line with the prevailing corporation tax rate in the US and the proportion of the Group's profits at that time.

The principal factors that we expect to influence our future underlying tax rate are the mix of profits by tax jurisdiction, changes to applicable statutory tax rates and the consumption of US tax assets. The underlying tax rate in 2018 is currently expected to remain consistent with 2017, dependent on the factors outlined above.

Capital management

Our business has a strong record of cash generation. Our policy is to return our adjusted management fee profits to shareholders each year through our regular dividend. Our adjusted performance fee profits grow our surplus capital position over time. We then actively manage Man's surplus capital to seek to maximise value to shareholders by either investing that capital into acquisitions to improve shareholder returns in future, or to return it to shareholders through share buybacks or special dividends.

We have maintained prudent surplus capital, in compliance with the FCA's capital standards, and available liquidity throughout the year. Details of the Group's syndicated revolving loan facility, which provides additional liquidity, are provided in Note 12 to the Group financial statements on page 121.

We have a capital and liquidity framework which allows us to invest in the growth of our business. We utilise capital to support the operation of the investment management process and the launch of new fund products. We monitor our capital requirements through continuous review of our regulatory and economic capital, including monthly reporting to the Risk and Finance Committee and the Board.

At 31 December 2017, surplus regulatory capital over the regulatory capital requirements was $256 million.

$m	**31 December 2017**	31 December 2016
Permitted share capital and reserves	**1,437**	1,530
Less deductions (primarily goodwill and other intangibles)	**(1,052)**	(995)
Available Tier 1 Group capital	**385**	535
Lower Tier 2 capital – subordinated debt	**149**	149
Other Tier 2 capital, including deductions	**(2)**	2
Group financial resources	**532**	686
Less financial resources requirement	**(276)**	(294)
Surplus capital	**256**	392

The decrease in the Group financial resources of $154 million in the year primarily relates to the $100 million share repurchase programme, which commenced in October 2017, and goodwill and acquired intangible assets of $79 million arising on the Aalto acquisition, partially offset by the receipt of the first half performance fees. The decrease in the Group financial resources requirement of $18 million primarily relates to a lower capital requirement on seeding investments and securitisation positions, partially offset by a higher capital requirement on performance fee receivables balances. As at 31 December 2017 there has been no change to the Internal Capital Guidance scalar that is applied as part of the calculation of the financial resources requirement.

The Group's proforma surplus capital is $460 million, which incorporates: the second half earnings; our final dividend; and receipt of cash for year end performance fees and redemption of our largest seeding investment (see next page). As a result of the impact of adoption of the new leases accounting standard, as outlined below, we expect that our surplus capital will decrease by up to $120 million (£90 million) from 1 January 2019.

Adoption of the new leases accounting standard, which is mandatory for the Group from 1 January 2019 as outlined per Note 1 to the Group financial statements (page 112), is expected to result in a reduction of our capital surplus from that date of up to $120 million (at the 31 December 2017 Sterling exchange rate of 0.74). The reduction is due to the new requirement to bring operating leases onto the Group's balance sheet and an earlier expense recognition profile of the associated rental costs, which therefore impacts our financial resources requirement and Tier 1 capital at 1 January 2019.

Cash earnings and liquidity

We continue to generate strong cash flows. Given the strong cash conversion of our business we believe our adjusted profit after tax is a good measure of our underlying cash flow generation, although the timing of cash conversion is impacted by the seasonal movements in our working capital position through the year and the size of our seeding book over time. Operating cash flows, excluding working capital movements, were $431 million during the year and cash balances at year end were $356 million, excluding cash relating to consolidated fund entities.

$m	Year ended 31 December 2017	Year ended 31 December 2016
Cash at 31 December 2016[1]	**389**	586
Operating cash flows before working capital movements	**431**	245
Working capital movements (including seeding)[1]	**(186)**	(177)
Payment of dividends	**(158)**	(158)
Share repurchase (including costs)	**(92)**	(35)
Payment of acquisition related contingent consideration, net of cash acquired	**(9)**	(25)
Other movements	**(19)**	(47)
Cash at 31 December 2017[1]	**356**	389

1 Excludes cash relating to consolidated fund entities (Note 13.2 to the Group financial statements).

Working capital movements principally relate to the increase in performance fee receivables at the year-end partially offset by an increase in the related variable compensation payable. The total net decrease in our seeding investment portfolio is not reflected in cash inflows given the timing of redemptions, with amounts receivable included within working capital (including seeding) at 31 December 2017 and subsequently receipted in cash post year-end.

The $500 million revolving credit facility, which remains available and undrawn, matures in 2022. The management of liquidity is explained in Note 12 to the Group financial statements.

Balance sheet

The Group's balance sheet is strong and liquid. Cash has decreased during the year as a result of the movements outlined above. Fees and other receivables have increased as a result of the higher level of performance fees earned in December, along with an increase in payables for associated compensation accruals. The decrease in investments in funds is driven by a decrease in seeding investments, as outlined below. Goodwill and other intangibles have increased marginally in 2017 due to the acquisition of Aalto, partially offset by the amortisation charge for the year.

$m	31 December 2017	31 December 2016
Cash and cash equivalents[1]	**356**	389
Fee and other receivables[1]	**614**	257
Total liquid assets	**970**	646
Payables[1]	**(848)**	(702)
Net liquid assets	**122**	(56)
Net investments in fund products and other investments[1]	**559**	720
Pension asset	**32**	27
Investments in associates	**29**	31
Leasehold improvements and equipment	**44**	44
Total tangible assets	**786**	766
Borrowings	**(150)**	(149)
Net deferred tax asset/(liability)	**33**	16
Net tangible assets[2]	**669**	633
Goodwill and other intangibles	**1,047**	1,041
Shareholders' equity	**1,716**	1,674

1 Cash and cash equivalents, fees and other receivables and payables balances excludes amounts relating to line-by-line consolidated fund entities. These are presented net within net investments in fund products and other investments, together with third-party interest in consolidated funds and non-current assets and liabilities held-for-sale (per Group financial statements Note 13.2 on pages 123-124).
2 Equates to net tangible assets per share of 41 cents (2016: 38 cents).

Seeding investments

Man uses capital to invest in products to assist in the growth of the business. At 31 December 2017, the Group's seeding investments were $480 million (refer to Note 13 to the Group financial statements), which have decreased from $642 million at 31 December 2016 principally as a result of the redemption of the US distressed credit strategy, our largest seeding position, following the decision to exit the strategy in December 2017.

Dividends and share repurchases

Man's dividend policy is to pay out at least 100% of adjusted management fee EPS in each financial year by way of ordinary dividend. In addition, Man expects to generate significant surplus capital over time, primarily from net performance fee earnings. Available capital surpluses will be distributed to shareholders over time, by way of higher dividend payments and/or share repurchases, while maintaining a prudent balance sheet, after taking into account required capital (including liabilities for future earn-out payments) and potential strategic opportunities. In October 2017 we commenced a $100 million share repurchase programme, which was 27% complete at 31 December 2017, as detailed in Note 20 to the Group financial statements on page 129. As a result of recent share repurchases which lower the number of shares, our EPS and dividend per share growth exceeds the growth in the profitability of the business.

Adjusted management fee EPS is considered the most appropriate basis on which to routinely pay ordinary dividends as this represents the most stable earnings base of the business, and enables the Board to utilise performance fee earnings over time in the most advantageous manner to support the Group's strategy. The reconciliation of adjusted management fee EPS to statutory EPS is provided within Alternative Performance Measures on page 149.

The Board is proposing a final dividend for 2017 of 5.8 cents per share, which together with the interim dividend of 5.0 cents per share, equates to a total dividend for 2017 of 10.8 cents per share, growth of 20% from 2016.

The proposed final dividend equates to around $94 million, which is more than covered by the Group's available liquidity and regulatory capital resources. As at 31 December 2017, the Group's cash, less those balances ring-fenced for regulatory purposes, amounted to $319 million and the undrawn committed revolving credit facility was $500 million, as set out in Note 12 to the Group financial statements. The Group regulatory capital surplus was $256 million at the year-end, as shown on page 28. Man Group plc's distributable reserves were $1.9 billion before payment of the proposed final dividend, which are sufficient to pay dividends for a number of years. Furthermore, as profits are earned in the future the Company can receive dividends from its subsidiaries to further increase distributable reserves.

Key dates relating to the proposed final dividend are: ex-dividend date 26 April 2018; record date 27 April 2018; AGM to approve the final dividend 11 May 2018; and payment date 18 May 2018. Further details on the Group's dividend can be found in the Shareholder Information section on page 145.

Mark Jones
Chief Financial Officer

RISK MANAGEMENT

An integrated approach

Risk management is an essential component of our approach, both to the management of investment funds on behalf of investors, and the management of Man Group's business on behalf of shareholders.

Ultimate responsibility for risk management rests with Man Group's Board, however, accountability is embedded throughout the business. Our risk management framework requires that the business operates within acceptable risk tolerances, as defined by the Board's risk appetite. Our governance structure provides a foundation for ongoing oversight in a dynamic environment. Independent fund boards are responsible for protecting the interests of fund investors.

Developments in 2017

Investment underperformance continues to be the biggest risk facing the Group. This is mitigated by diversification of product offerings, including the integration in 2017 of Aalto within Man. Performance fees rose by 257% compared to 2016, as described on page 27. The Group has continued to bolster its range of investment styles and products in key markets. Funds under management (FUM) grew by 35% in 2017, as described on page 25.

The expansion of our product offering is supported by our balance sheet, which we have utilised to continue the Group's seeding programme. 2017 saw the launch of several new quantitative and discretionary funds. Whilst the Group is exposed to a decline in the value of seed investments, supporting the development of new products is an important way to increase and diversify revenues. Senior management assess whether seeding positions continue to support the business - a large position in a US distressed credit strategy is being redeemed because strong performance since inception has not resulted in investor subscriptions.

Markets in 2017 were characterised by low volatility and growth across most asset classes and several potentially disruptive political events in Europe were avoided.

Our counterparty risk exposures at corporate and fund level are closely monitored. The risk to the Group's balance sheet from counterparty defaults remains low. We are conscious, however, of the continued risk of individual events or downturns in market sentiment and continue to take a conservative approach to counterparty selection.

Man Group is regulated globally; the Group focuses on ensuring our operational and risk management frameworks are appropriate for our evolving global business. In the 'Principal risks' section on pages 33 to 35 we have noted a number of regulatory developments. Regulation continues to evolve at different paces across the world.

Our operating model is reliant on technology therefore the heightened threat from cybercrime requires increased focus for the Group.

Our ICAAP was submitted in August and the Financial Conduct Authority (FCA) informed us it will not be reviewed at this time. We continue to seek the most efficient ways to fund our regulatory capital and liquidity requirements. In September we completed the share repurchase programme announced in 2016. In October, we began a new share repurchase programme which will return $100 million of capital to shareholders. As at 31 December 2017, the programme was 27% complete.

Man Group's governance

The committees below have been given a mandate by the Board and the CEO to oversee the risk management framework. These committees provide assurance to the Board that risk has been managed according to the risk appetite statements.

Board

CEO

Senior Management Executive Committee

The Senior Management Executive Committee is accountable for all risks assumed in the business and is responsible for the execution of appropriate risk management discipline.

Audit and Risk Committee

The Audit and Risk Committee (ARCom) is a committee of the Board which has oversight of the assurance functions (see page 56 for further detail).

Risk and Finance Committee

The Risk and Finance Committee (RAF) oversees the operational, regulatory and reputational risks faced by the Group and the internal control environment. It also monitors the adequacy of economic capital and liquidity buffers. The RAF is chaired by the Chief Financial Officer (CFO).

Brexit

The UK's decision to invoke Article 50 of the Treaty on European Union in March 2017 triggered a withdrawal process which is expected to result in the UK leaving the European Union ('EU') by April 2019. This withdrawal process has political, legal and tax implications for the UK and may impact general economic conditions in the UK and other European countries.

The EU has mandated a three-phase approach to Brexit negotiations (Withdrawal, Future Relationship and Transition), with the second phase having begun in early 2018. Whilst it is anticipated that the second phase will provide more certainty on the future regulations pertaining to UK investment managers, it is not yet clear the extent to which Brexit may impact their ability to access markets, make investments or enter into legal agreements within the EU. It is also uncertain whether the UK and the EU will agree a transition arrangement from April 2019 and if so, for how long and on what terms.

Man will continue to take the necessary steps to ensure that, post-Brexit, it remains able to service its existing European clients and to access new business in the EU. Man has a number of licensed entities in the EU, based in Ireland and the Netherlands, as well as in Liechtenstein (European Economic Area). However, Man may need to enhance its EU footprint as regulations become clearer.

Man's risk appetite statements

The risk appetite statements are set by the Board and cover all significant risk categories. They apply to both the investment management functions and Man Group itself. The statements express the Board's appetite for risk, promote a risk aware culture and set out objectives and boundaries for Man Group's business.

The primary goal of risk management is to support the achievement of the Group's objectives by encouraging an appropriate balance between risk and benefit, in a controlled and regulatory compliant context.

The governance framework and control environment within the Group have been designed to manage risks in accordance with risk appetite. The Board and ARCom receive regular reporting on the Group's risk profile and adherence with risk appetite. In the event that breaches to risk appetite occur, these would be resolved in line with the Group's procedures and processes. The statements are reviewed periodically by the Board.

The risk appetite statements were reviewed during the year. There were no material changes to the risk tolerances of the business resulting from this. A summary of the risk appetite statements is available at www.man.com

Viability statement

The directors believe that there continues to be robust global demand for asset management firms, such as Man Group, to provide fund management services and make investment decisions on behalf of their clients in order to manage their capital. Man's value-adding services form the basis of a sustainable business model.

A failure to deliver superior performance is the main risk to the Group's ability to maintain a capital and liquidity surplus, but is mitigated through its diversified offerings.

The directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the next three years. A three year period was selected as this is consistent with the Group's business planning horizon.

The directors' assessment has been made with reference to the Group's current position and prospects, the Group's strategy, the Board's risk appetite and the Group's principal risks and how these are managed, as described later on in this section of the Annual Report. The principal risks are linked to each of the Group's strategic priorities, as shown on page 9.

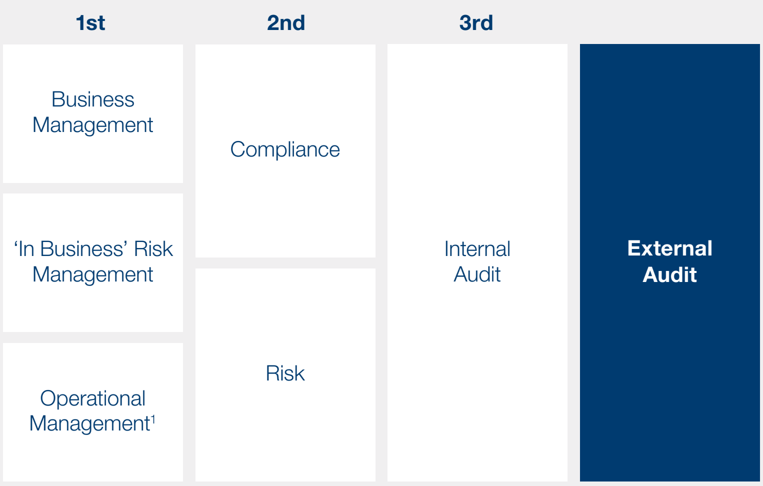
The strategy and associated principal risks form the basis of the Group's Medium-Term Plan. This covers a three year period, and includes downside scenario testing.

The Group's Medium-Term Plan is built by aggregating the expected business performance across the Group, and then stressing key business assumptions (particularly those regarding investment performance and fund flows).

The plan is also stress tested in a number of downside scenarios as part of the Group's Internal Adequacy Assessment Process (ICAAP). The Board receives regular updates throughout the year of the internally assessed level of economic capital requirement, relative to available capital supply.

The Medium-Term Plan and ICAAP assessments are augmented throughout the year by regular briefings at the Audit and Risk Committee on strategy, risk and controls, as well as dashboards across risk, compliance, finance and internal audit. The principal risks are considered within the Board's risk appetite framework.

Three lines of defence



1 Includes the Group's financial controls framework

The overall risk management framework at Man Group is based on the three lines of defence model, and is overseen by the Audit and Risk Committee as delegated by the Board.

The framework instils the principles of direct responsibility for risk management in each business unit. Embedding accountability at the business level is the 'first line of defence'.

The business units are monitored by the Risk and Compliance control functions which form the 'second line of defence'.

The independent review and oversight provided by Internal Audit is the 'third line of defence', which independently evaluates the adequacy and effectiveness of the Group's risk management, control and governance processes.

Although Man Group and the investors in its products are susceptible to losses, we believe our risk management framework supports long term value through the process of risk-aware decision making.

RISK MANAGEMENT CONTINUED

Board oversight of risk management and internal controls

The Board oversees and monitors the Group's risk management and internal control systems on an ongoing basis and, at least annually, carries out a review of their effectiveness. A summary of the Group's risk management and internal control systems, including those relating to the financial reporting process is given below.

Objectives and governance framework

The Group's risk management framework and internal control systems aim to safeguard assets, maintain proper accounting records and provide assurance that the financial information used in the business and published externally is robust and reliable. The framework is designed to manage key risks, but cannot eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The risk management framework and internal control systems, which have been in place throughout the year and up to the date of this Annual Report, comply with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

During the year the Board reviewed and approved the output from the annual refresh of Man's Risk Governance and Appetite Framework. This included changes to the quantitative tolerances and qualitative statements and the adoption of a new assessment grid for operational and other risks to reflect the development of the risk control environment. There was no material change to the Board risk appetite.

Whilst the Board retains overall responsibility for the Group's risk management and internal control systems, it has delegated oversight to the Audit and Risk Committee ('ARCom'). The report from the Chairman of the ARCom on pages 56 to 61 provides further information on how the ARCom has discharged its risk oversight responsibilities during the year.

Financial reporting controls

The Group's financial controls framework is designed to provide assurance that proper accounting records are adequately maintained and that financial information used within the business and for external publication is reliable and free from material misstatement, thereby safeguarding the Group's assets. This framework is managed through a process whereby control owners certify that key preventative and detective controls have been performed and are operating effectively. These include balance sheet reconciliations and the financial statements preparation process. During the year senior management monitored the results of the certification process and a sample of the certifications was independently spot checked each month to provide assurance that they had been correctly certified.

Ongoing risk reporting

The Board receives regular reports from the Chairman of the ARCom, business management and Group Risk on the risks to the achievement of the Group's operational and financial objectives, together with assurance that the level of risk taken is consistent with and being managed in accordance with the Board's risk appetite and with business planning. These reports include a summary 'risk dashboard' and current and forward looking assessments of capital and liquidity adequacy. The Board also discussed a list of specific commercial risks relating to Man's current business mix and model, along with relative revenue impacts, that could have a material impact at Group level. The Board also noted and considered an analysis of trends in underlying risk drivers which had been identified through the Group's Risk & Control Self-Assessment (RCSA) process.

Specific annual review of risk management and internal controls

In addition to its ongoing monitoring of the Group's risk management and internal controls, the Board has conducted a specific annual review of their effectiveness in respect of 2017 and up to the date of this Annual Report. This review included a robust assessment of the Group's principal risks (see details on pages 33 to 35) and all significant operational risk events and Internal Audit findings raised during the period. The Board also considered the potential impact of certain risks identified by the business, the outcome of the RCSA process performed by business management and the quality of the controls in place to mitigate these risks. Following this review, the Board concluded that the Group's risk management processes were effective and that there were no significant weaknesses or failings in the system of internal controls.

Assessment of principal risks

Our comprehensive risk framework includes business, credit, liquidity, market, operational and reputational risks to both Man Group and our funds.

The Group's risk profile has not changed materially in 2017. Business risks continue to represent the biggest risks to the Group, of these investment underperformance, is the single biggest risk facing the Group.

Given its increasingly wide range of investment products and strategies the Group has to manage a wide array of operational risks.

The breadth and complexity of the regulations that Man and its funds are subject to across multiple jurisdictions represent significant operational risks should the Group fail to comply with these regulations. Man Group supports proportionate and thoughtful regulation and initiatives that develop the regulatory environment. However, regulatory change can also result in increased operational complexity and costs.

The directors confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

The directors have described and assessed these principal risks on pages 33 to 35 and explained how they are being managed or mitigated.

PRINCIPAL RISKS

The trend of the risk in 2017 is shown as; (increased), (unchanged) or (decreased).

Risks	Mitigants	Status and Trend	
Business risks			
Investment underperformance Fund underperformance on an absolute basis, relative to a benchmark or relative to peer groups would reduce FUM and may result in lower subscriptions and higher redemptions. This risk is exacerbated at times of volatile markets. This may also result in dissatisfied clients, negative press and reputational damage. Lower FUM results in lower management fees and underperformance results in lower performance fees, if any.	Man Group's investment businesses each have clearly defined investment processes designed to target and deliver on the investment mandate of each product. We focus on hiring and retaining highly skilled professionals who are incentivised to perform within the parameters of their mandate. Man Group's diversified range of products and strategies across the alternatives marketplace limits the risk to the business from underperformance of any particular strategy.	2017 saw broad based performance across many of Man's funds along with the generation of performance fees. Weaker performance of some strategies highlights the diversification across Man's product offerings which reduces the overall risk. The discussion of Man Group's performance is on pages 10 to 11.	Unchanged
Key person risk A key person to the business leaves or is unable to perform their role. Retention risk increases in years of poor performance.	Business and investment processes are designed with a view to minimise the impact of losing any key individuals. Diversification of strategies reduces the overall risk to Man. Succession plans and deferred compensation schemes are in place to support the retention of senior investment professionals and key management.	Man Group has continued to be able to attract and retain an array of talented individuals across the Group. Voluntary staff turnover remains moderate. The departure of a senior credit portfolio manager was managed through a succession plan of internal promotion and resulted in low voluntary redemptions.	Unchanged
Credit risks			
A counterparty with which the funds or Man Group have financial transactions, directly or indirectly, becomes distressed or defaults. Shareholders and investors in Man funds and products are exposed to credit risk of prime brokers, custodians, clearing houses, depository banks and guarantee providers. Man Group also provides loans to guaranteed products, and so is subject to counterparty risk to certain investor funds.	Man Group diversifies its deposits across a number of strong financial counterparties, each of which is approved and regularly reviewed for creditworthiness by the Counterparty Monitoring Committee (CMC). The CMC also oversees contingency planning ahead of significant market or political events. The Group Risk function monitors credit metrics, such as CDS spreads and ratings, of the approved counterparties on a daily basis. Guaranteed products are closely monitored, and leverage is actively adjusted such that the risk of default on balance sheet loans to funds is small.	Increased regulatory scrutiny and capital requirements for investment banks has improved the overall stability of Man's counterparties. There were no periods of heightened concern about individual names in 2017, but European elections were closely monitored by the CMC.	Unchanged
Liquidity risks			
Volatile markets can place additional, often short- term, demands on the balance sheet. Man Group is exposed to having insufficient liquidity resources to meet its obligations. Adverse market moves and high volatility may sharply increase the demands on the liquid resources in Man Group's funds. Market stress and increased redemptions could result in the deterioration of fund liquidity and in the severest cases this could lead to the gating of funds.	Man Group has access to a revolving credit facility and maintains a liquidity surplus. Man Group conducts regular liquidity tests on its funds and endeavours to manage resources in such a way as to meet all demands for fund redemptions according to contractual terms.	A reduced guaranteed products portfolio and illiquid funds/assets within portfolios has reduced potential demands for liquidity. The asset liquidity distribution across funds has remained broadly unchanged.	Decreased

PRINCIPAL RISKS CONTINUED

The trend of the risk in 2017 is shown as; (increased), (unchanged) or (decreased).

Risks	Mitigants	Status and Trend	
Market risks			
Investment book Man Group uses capital to seed new funds to build our fund offering and expand product distribution. Man Group is therefore exposed to a decline in value of the seeding book.	A disciplined framework ensures that each request for seed capital is assessed on how it facilitates its risk and return on capital. Approvals are granted by the Seed Investment Committee (SIC), which is comprised of senior management, Risk and Treasury. Investments are subject to risk limits, an exit strategy and are hedged to a benchmark where appropriate. The positions are monitored regularly by Group Risk and reviewed by the SIC.	Seeding book risks reduced in 2017 with net redemptions, particularly from a large concentrated position in a US distressed credit fund. Overall seeding book returns have been strong and the long only funds out-performed their benchmark hedges.	Decreased
Pension risk Man Group underwrites the risks related to the UK defined benefit pension plan which closed to new members in 1999 and future accrual in 2011. The plan is well funded, but is exposed to changes in net asset versus liability values.	The UK pension plan has a low net exposure to equities and UK interest rates following asset reallocations by the trustees in 2015/2016. Longevity risk remains, but is uncorrelated to Man Group's other risks.	The plan maintained a stable surplus throughout the year. A trienial valuation of the scheme is underway. The fund will directly own additional assets after the Reservoir Trust maturity in March 2018 (see page 131), and is expected to maintain a low-risk growth portfolio.	Unchanged
Operational risks			
External process failures Man Group continues to outsource a number of functions that were previously performed internally as well as managing outsourcing arrangements on behalf of its funds. The risk is that the outsourced service providers do not perform as required, resulting in knock-on implications for our business as a whole.	Man Group's operations team has implemented a methodology (including ongoing third party due diligence and KPI monitoring) to confirm that outsourced service providers are delivering as required.	The Group has been concentrating its outsourcing into a smaller number of carefully selected and proven outsource providers with which it has established working relationships allowing for greater process consolidation and rationalisation.	Decreased
Information security and cybercrime security The risk of loss resulting from cybercrime, malicious disruption to our networks or from the theft, misplacing, interception, corruption or deletion of information.	We continue to invest and improve the Group's diligence across all IT layers (perimeter, network, endpoint, applications and data). This includes implementing advanced solutions applying artificial intelligence and machine learning to detect vulnerabilities and insider threats monitoring. The Group is also increasing the use of automated remediation to allow for swifter and more effective incident response. The Group has a cyber-risk training programme and has commissioned independent threat and security assessments, including simulated staged attacks on our network to test our detection and response capability.	Cybercrime attacks are growing in terms of scale and complexity as hackers continuously seek to circumvent software improvements. The fast pace of innovation by cybercriminals makes it particularly challenging to assess the effectiveness of our defences and deliver protection against this increasing threat. However, the Group has responded by improving its resilience against these threats. The information security and cybercrime risks remain under scrutiny at board level.	Increased
Information technology Risk of losses incurred by IT software and hardware failures resulting in system downtime, severely degraded performance or limited system functionality.	The Group recognises the fundamental role of technology in delivering the Group's objectives. The Technology Group is focused on delivering five key themes: improving data management, improving the digital experience across the Group, improving the operating model by consolidating technology, investing in the control and security framework and innovating in the right technology at the right time.	The technology of the Group has been significantly improved in 2017 with the delivery of new platforms, software, infrastructure and integration of Cloud services. This trend will continue to ensure that the Group can continue to position itself to be able to leverage further advances in technology.	Unchanged

The trend of the risk in 2017 is shown as; (increased), (unchanged) or (decreased).

Risks	Mitigants	Status and Trend
Operational risks continued		
Integration risk Acquisitions into the Group introduce short-term integration risks.	Our Risk and Compliance teams independently review the businesses risk assessments (including integration risks) and the appropriateness of risk mitigation plans. Internal Audit evaluates the effectiveness of the Group's risk management, control and governance processes.	There have been no new acquisitions since Aalto. (unchanged)
Regulatory breach The global nature of Man Group's business, the expansion of its investment businesses and the acquisition of new investment businesses, with corporate and fund entities located in multiple jurisdictions and a diverse investor base makes it subject to a wide range of laws and regulations. Failure to comply with these laws and regulations may put Man Group at risk of fines, lawsuits or reputational damage. Changes in laws and regulations can materially impact Man Group or the sectors or the market within which it operates. The FCA in the UK is Man Group's lead regulator.	Man Group operates a global legal and compliance framework which underpins all aspects of its business and is resourced by experienced teams. These teams are physically located in Man Group's key jurisdictions helping them to understand the context and impact of any requirements. Emphasis is placed on proactively analysing new legal and regulatory developments to assess likely impacts and mitigate risks. Man Group continues to liaise directly and indirectly with competent authorities e.g. FCA, IOSCO, ESMA, HMT, NFA, DFSA and CSRC.	Man is experiencing an increase in the breadth and complexity of regulations globally including Markets in Financial Instruments Directive (MiFID II), the General Data Protection Regulation (GDPR) and the Senior Managers Certification Regime (SMCR). Preparation for MiFID II has been a priority in 2017 and was successfully implemented by 3 January 2018. These new regulations may result in an increase in regulatory risk in the short-term as the regulator starts to review implementation and understand their effect on investment markets. (increased)
Reputational risks		
The risk that an incident or negative publicity undermines our reputation as a leading investment manager. Reputational damage could result in significant redemptions from our funds, and could lead to issues with external financing, credit ratings and relations with outsourcing providers.	Our reputation is dependent on both our operational and fund performance. Our governance and control structure mitigates operational concerns, and our attention to people and investment processes are designed to comply with accepted standards of investment management practice.	Man continues to enjoy a good reputation and this risk is assessed as stable. (unchanged)

PEOPLE AND CULTURE

Talent and collaborative thinking

At Man Group, we believe in the importance of a meritocratic workplace, where success is based on talent, commitment, diligence and teamwork. By celebrating diversity, we seek to challenge consensus and foster healthy debate, which we believe makes us a better and more innovative business for our clients. Above all, we seek to attract and retain the best people, and to ensure everyone at Man Group has the opportunity to reach their full potential; nothing should get in the way of that.

Employees
1,325

Internal transfers
92

Nationalities working at Man
59

Employee turnover
7.8%

Focus on talent and commitment to diversity

Hiring, developing and retaining talent at all levels is a long term business goal and therefore is a key focus area for our executive team.

We also believe that by celebrating diversity and building an inclusive working environment, we encourage original and collaborative thinking with multiple and differing perspectives which position us to deliver results for our clients. Encouraging diversity and inclusion is therefore fundamental to achieving our business strategy.

Recruitment and retention

Entry level hiring, conducted through our graduate (analyst) and internship programmes, enables us to identify promising employees at the start of their careers, and to nurture talent within the firm over time. The continued success of our investment management analyst and internship programmes, which have been running for a number of years, has led us to expand the breadth of our entry level hiring programmes. In 2017, alongside the seven analysts who joined our investment management graduate programme, we took on four analysts as the initial cohort for our finance and operations analyst programme. We have also launched a sales associate programme, targeting the appointment of junior sales executives in both London and Pfäffikon.

We continue to be committed to promoting talented individuals within the firm, offering progressive and varied career paths for our people. In 2017, we made a number of significant internal promotions, specifically the appointment of co-CEOs and COO of Man AHL, COO of Communications & Marketing, and CEO and COO of Man FRM.

We also operate a global mobility programme, which enables us to meet specific business needs within given markets or business areas, while offering international placements and transfers to our staff. In 2017, a number of individuals participated in the programme, which provides our people with the opportunity to broaden their international experience as well as enhancing collaboration across the firm.

Key strategic external hires for the year, complementing the talent within our business, included the appointments of a director of trading and several senior sales staff in the UK, the US, and Asia. At the start of 2017, the completion of the acquisition of Aalto Invest (now Man GPM) and subsequent successful on-boarding process additionally enabled us to integrate new private markets expertise in the UK, Switzerland and the US.

Staff Survey 2017

- Positive engagement score of 7.5 out of 10
- Increased response rate to 83% (from 77% for previous survey in 2015)
- Improvement in low scoring areas from 2015 survey (reward, recognition, growth)

In the context of Britain's withdrawal from the European Union, we are committed to ensuring that we provide every support to those of our workforce who are EU nationals working in the UK. During the year, we ran advisory sessions at both individual and group levels for EU citizens, and we will continue to offer assistance to our EU national employees and their families. Hiring the best talent from around the world, including the EU, is fundamental to our business and we remain committed to continuing to do so. We are active participants in various industry forums, liaising with the UK Government and closely monitoring immigration updates in relation to their potential impact on our workforce. We support the UK Government's stated goals of allowing EU citizens and their families to remain in the UK when the UK leaves the EU, and ensuring that it is straightforward for them to apply for settled status in the UK.

Voluntary turnover remains low across the firm, supported by our ongoing retention-focused activities, including regular performance evaluations, succession planning processes, and a commitment to promoting career development and internal transfers and promotions. We seek to make Man Group a progressive place to work, where talented staff are continually learning and developing in their areas of expertise with access to opportunities across the firm.

Some organic growth means Man Group total headcount, including contractors and consultants, has increased from 1,257 at 31 December 2016 to 1,325 at 31 December 2017. The ratio of support function employees to front office employees remains approximately one to one, which we believe is in line with industry best practice.

Our remuneration policies and practices are designed to enable us to remain competitive in the increasingly global markets in which we operate and are benchmarked annually. Remuneration includes combinations of salary, annual performance bonus and deferred share or fund awards, alongside non-cash benefits. The bonus deferral arrangement is a key mechanism for aligning our employees with Man Group's long term performance, and so aligning their interests with those of our clients and shareholders. During 2017 we once again offered our UK-based employees the opportunity to participate in the Man Group Sharesave Scheme at the maximum limit and discount allowed by HMRC.

Development

Alongside the annual review process, which is a valuable opportunity for the exchange of feedback on performance and career progression, our ongoing succession planning process is also critical. Succession planning facilitates the identification of key talent throughout the business, enabling us to focus resources on supporting and developing our people and mitigating continuity risk. Talent management within the firm is supported by a dedicated resource, focused on developing our workforce to be the best they can be. In addition to our global mobility programme, development activity during 2017 included a range of technical, professional and soft-skills training programmes. Our bite size soft skills modules continue to be popular, with over 100 people attending at least one module during 2017. We have also provided one-on-one executive coaching to several key individuals within the firm, and run various mentoring programmes, including tailored mentoring for apprentices and returners who have taken a career break.

Employees are empowered to take ownership of their own development, including selecting appropriate training opportunities, with an allocated annual budget, as well as taking up opportunities to gain broader experience outside of their Man Group roles. For example, we actively encourage staff members to speak at relevant industry conferences and seminars, or accept invitations to participate in panels, in order to expand their expertise and engage as experts in their fields.

Employee engagement

To ensure that Man Group's employees are aware of business priorities and the latest developments across the firm, they receive a range of communications and information.

We share an email newsletter with all employees on a daily basis, run a programme of presentations from executives across the firm, called the business education series, and host business unit town-halls and internal Man Group results presentations. In addition, when travelling across our international office network, Executive Committee members regularly host employee update events, maximising the opportunity to engage with staff members with whom they may not have regular in-person contact.

In accordance with our business principles, we are dedicated to ensuring that Man Group is a great place to work, where people know that success and achievements are based solely on merit. In support of this, we introduced employee recognition awards during 2017, to recognise those individuals who go above and beyond their day-to-day responsibilities in service of the business. The award winners are announced by CEO Luke Ellis to the firm, celebrating the contribution of those individuals who are recognised.

In 2017, we placed a particular focus on employee well-being activities, running a number of events and implementing changes in order to enhance our offering in this area. Across the firm, we recognise the pressures of juggling work and personal commitments so have introduced a number of supporting initiatives, including celebrating Work-Life Week with a variety of events and awareness-raising sessions. We also offered onsite cancer checks and benefits roadshows. In the US, we undertook a large scale review of our benefits broking arrangements which resulted in a change of broker and a marked improvement in the wellness offering for staff. We also offer flexible working arrangements for all staff, to help ensure that we support employees with balancing their external commitments, as well as recognising the importance of offering enhanced maternity leave across all our global locations, regardless of local practice.

PEOPLE AND CULTURE CONTINUED

> Man Group's culture is based on mutual respect for others, a commitment to prioritising diversity and inclusion, and a zero tolerance approach to discrimination of any kind

Luke Ellis
Chief Executive Officer

We are pleased to report that our 2017 employee survey recorded a positive engagement score of 7.5 out of 10 alongside an increased response rate of 83%, compared with 77% for the previous survey in 2015. We sought feedback from executives across the firm and use this information to inform the initiatives we undertake to continually enhance Man Group as a place to work.

Diversity & Inclusion

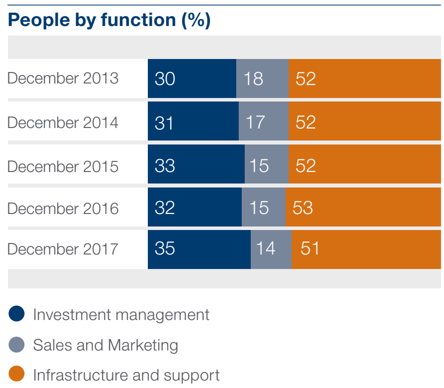
Man Group's culture is based on mutual respect for others, a commitment to prioritising diversity and inclusion, and a zero tolerance approach to discrimination of any kind. By celebrating diversity in all its forms, and building an inclusive working environment, we believe that we encourage original and collaborative thinking, and so position ourselves to deliver results for our clients.

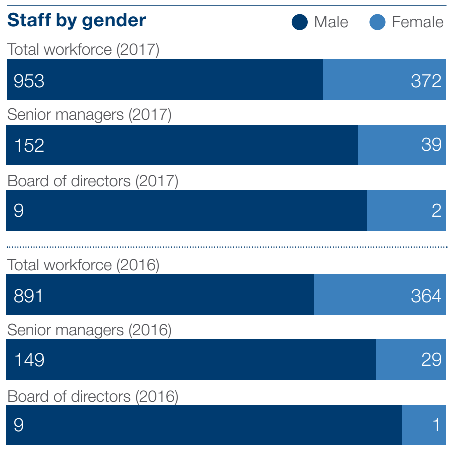
Alongside our existing senior Diversity & Inclusion (D&I) steering group, we have now introduced a larger D&I working group, with the intention of further driving the implementation of D&I initiatives. Both groups are focused across the diversity spectrum, and we have also united our activity in this area under the umbrella of "DRIVE", which now acts as the global network for all of the firm's D&I initiatives, and is supported by a dedicated section on the Man Group employee intranet covering our vision in this area, as well as relevant events and resources. We are also actively connecting with peer organisations to learn and share experiences in relation to D&I activity.

As part of our D&I focus, we are committed to achieving a better balance between male and female employees across the business, and particularly at senior levels. We are pleased to see visible progress this year, with a higher proportion of female executives in senior management roles in 2017 versus previous years, however we recognise that there is still much further to go. Overall gender balance across the business remains a challenge for us, as it does for many other financial services organisations.

Man Group has met the requirement for employers in the UK to calculate and publish their gender pay gap, a measure designed to show the difference between the average earnings of men and women across an organisation. Man Group's gender pay gap statistics, available in full at www.man.com, demonstrate the lower representation of women in investment management roles and at senior levels within the firm. We are committed to addressing this, and continue to make significant efforts both to encourage the pipeline of female talent at the firm and in the broader industry, and to support women within the firm or those returning to work. We recognise that we must take further action, through the initiatives articulated in this section, to foster better gender diversity particularly in senior and front office roles.

We are focused on increasing female participation in our graduate programme, in order to grow the pipeline of female talent that will reach senior roles in future. We were delighted to see progress in this area in 2017, including an entirely female intake onto our new finance and operations graduate programme. As part of our efforts to support and encourage female talent in the potential pipeline for financial services careers, we are also planning targeted campaigns and initiatives to work with schools and education providers to encourage greater diversity on university courses which lead to careers in quantitative finance, as well as recruiting from non-traditional backgrounds. For a number of years, Man Group has also sponsored the UK team at the European Girls' Mathematical Olympiad and activities such as the NSPCC's Number Day, the largest nationwide numeracy event for children and young people in the UK, to encourage female participation in STEM subjects.





We place great importance on the development of women at all levels within the firm, to ensure they reach their full potential to progress to senior roles. Our female mentoring programme actively identifies high-potential women within the firm, pairing them with individual mentors from Man Group's Executive Committee to support their professional development, share expertise and act as a senior sounding-board. During the year, we also successfully continued our partnership with Women Returners, with the aim of tapping into the predominantly female talent pool of professionals seeking to return to work following a career break. Through this partnership, we are able to identify suitable candidates as well as providing them with tailored mentoring and support. We are confident that, with the right support, more highly-qualified women will return to work and progress to or take up senior roles. Our pilot programme in 2016 resulted in a permanent hire into one of Man GLG's investment management teams. In 2017, we offered two returner placements within our technology group and are delighted that both individuals have secured permanent roles.

Encouraging a diverse workforce relies on attracting, hiring and retaining diverse talent. Through our hiring processes, we seek to consider applications from as diverse a pool of candidates as possible, and during 2017 we therefore engaged with all our recruitment agency suppliers to encourage them to put forward more female candidates for opportunities at Man Group. Particularly for those areas within our business where women are most under-represented and where we have the most significant hiring requirements, recruitment partners are required to meet minimum proportions of female candidates put forwards on a quarterly basis. Starting from 2018 initially in the UK, we will be monitoring the impact of this pilot policy, and assessing our recruitment partnerships accordingly.

Beyond encouraging applications from a diverse pool of applicants, we seek to ensure that all candidates globally experience a fair and inclusive recruitment process at the firm. During the year, we worked to put in place a process, implemented at the start of 2018, whereby all candidates receiving offers from the firm globally must be interviewed by a diverse interview panel, comprised of employees of more than one gender. The feedback of all panellists is taken into account, and particularly where the feedback from a minority gender group is markedly different to that provided by the majority gender group, further discussion will be required before any offer is issued.

We have a number of other partnerships in place which feed into our broader D&I agenda. In the UK, to increase our access to candidates from under-represented backgrounds, we work with SEO London, an organisation which provides educational support and career access, and MBTN, a recruitment agency with network of female and ethnic minority candidates, We hosted an on-site masterclass for 20 SEO candidates during the year, and we continue to see increased diversity in our graduate and internship applications as a result of these collaborative efforts. In the US, we partner with the Young Women's Leadership Network in New York and are looking into additional partnerships following the launch of our US Charitable Trust.

Apprenticeship programmes continue to be a way for us to show our commitment to tackling youth unemployment in London and broadening our access to young people who may not otherwise have considered a career in financial services. Through offering apprenticeships, we provide young people with an opportunity to complete a qualification whilst gaining valuable work experience. Our partnership with City Gateway in this area has flourished since 2013 and we currently have our fourth cohort of apprentices on board within technology, operations and commercial management. To date, we have provided over a dozen apprenticeships, and two of our apprentices have secured permanent roles at Man Group. We are also exploring offering apprenticeships at a more senior level, as a means of offering those with more experience additional training and development opportunities.

Man Group is committed to providing equal employment opportunities and discrimination by any individual on the grounds of age, disability, gender, race, religion, sexual orientation or educational background is not tolerated. Full and fair consideration is given by Man Group to all employment applications, including from disabled people, considering their aptitudes and abilities. The Company ensures that disabled persons are fairly treated in respect of training and career development. For those who become disabled during their employment, reasonable adjustments are made and ongoing support is provided as required to enable the individual to continue working.

See page 64 for the Nomination Committee's diversity policy

Business principles

Our business principles are designed to distil and define the firm's key priorities, focus and culture.

Performance
First, foremost and always we focus on achieving superior risk-adjusted performance

Clients
Our clients are at the heart of everything we do

Excellence
Good is not enough, we strive to be excellent in all we do

Responsibility
We expect our people to do the right thing and conduct our business with the highest standards of integrity

Differentiation
We seek to be differentiated and original in our thinking

Meritocracy
We succeed through talent, commitment, diligence and teamwork

More on page 49

CORPORATE RESPONSIBILITY

We commit to pursue the highest standards possible

Our corporate responsibility strategy is to pursue and evidence where possible the high standards of behaviour, both corporate and individual, which underpin our reputation and maintain the trust and loyalty of our key stakeholders. We focus on six key areas of corporate responsibility:

World class governance and risk management

Man Group strives to deliver the highest standards of governance and risk management. We have long recognised the importance of corporate governance practices that help to ensure effective oversight and strong accountability. With our scale, we are well positioned to implement and manage these practices effectively across our business, as we strive to deliver industry leading governance and risk management.

Responsibilities to our market place

Man Group is committed to the highest standards of ethical conduct and actively supports collaboration of the investment management industry in developing and committing to standards of responsible investment. Man Group is a signatory to the United Nations-supported Principles of Responsible Investment, which recognises the continued importance of the best practices endorsed by the PRI that have developed to accommodate increasingly diverse investment approaches. Man Group is also a founding signatory of the Standards Board for Alternative Investments (SBAI), of which Luke Ellis, CEO of Man Group, is a Trustee. The SBAI was fully established in 2008 as a guardian to the Standards with the goal of creating a framework for promoting integrity, transparency and good governance in the industry. Further details regarding Man Group's approach and commitment to responsible investment are outlined on page 41.

Contributing to our communities

We are very conscious of the impact of our organisation on our community and have taken steps to ensure we are contributing positively to those around us. Man Group is actively involved in charitable initiatives and volunteering opportunities local to the firm's offices through its ManKind Programme and through the Man Charitable Trust which sponsors many literacy and numeracy initiatives as outlined on page 42.

Protecting the environment

Whilst our environmental impact is relatively limited, we strive to deliver clear and transparent reporting that makes sense of the measurable elements within our control and respond to external risk and expectations. We look to take all practicable and economic measures to conserve and reduce energy consumption at our offices around the world. We monitor our impacts using Credit 360, a system that measures relevant data and generates reports which provide practical guidance in identifying our impacts and managing their reduction.

Anti-bribery and corruption

Man operates in multiple jurisdictions globally and as such is either subject to or is required to comply with various anti-bribery and corruption laws and regulations. Man takes its anti-bribery and corruption obligations very seriously and has implemented a Group-wide anti-bribery and corruption programme designed to comply with all applicable anti-bribery and corruption laws and regulations including the US Foreign Corruption Practices Act 1977 and the UK Bribery Act 2010. The programme includes policies, procedures and controls designed to prevent and detect bribery and corruption, including 'know your customer', due diligence and enhanced due diligence checks; procedures to prevent, detect and report suspicious activity; train employees and issue red flags; and undertake politically exposed persons ('PEPs') screening.

Risk factors that are considered include country, business activity, adverse information, adverse media and sanctions. Man is committed to conducting its business with honesty and integrity and complying with all applicable anti-bribery and corruption laws. Man accordingly also expects those who provide services to us or who work on our behalf to have the same commitment, wherever in the world they are doing business.

Slavery and human trafficking

Man Group is committed to ensuring that modern slavery does not exist within our supply chains or any part of our business. Man Group has a zero tolerance approach to slavery and human trafficking and we expect all those in our supply chain to comply with those values. Man Group will not support or deal with any business knowingly involved in slavery or human trafficking.

Please refer to our website, www.man.com, for our full Modern Slavery Transparency Statement.

RESPONSIBLE INVESTMENT

Helping to shape the future of investing responsibly

Responsible investing is no longer optional. As the investment management industry has matured and institutionalised, it has become increasingly responsive to the requirements of the investors who charge it with stewardship of their capital – the more they see mitigating environmental, social and governance risks as part of that stewardship, the more our industry must do to further those interests.

Lord Livingston of Parkhead
Chairman of the Board, Man Group

Our commitment

Man Group recognises that responsible investment is fundamental to our fiduciary duty to our clients and beneficiaries. We understand the importance of sound stewardship in managing investors' capital, and our approach to Responsible Investing closely aligns us with the values of our clients, shareholders, and other stakeholders.

During 2017 Man announced the appointment of Steven Desmyter as Head of Responsible Investment and Chair of Man Group's Responsible Investment Committee. Man also appointed Jason Mitchell as Sustainability Strategist.

In an effort to better formalise our responsible investment activities and provide greater insight for our clients, investors and stakeholders, Man launched a website (**www.man.com/responsible-investment**) dedicated to our publications, organisational affiliations and oversight structure in this area. We will continue adding content to the website, including *Perspectives towards a Sustainable World*, a podcast about what we are doing today to create a more sustainable world tomorrow.

Our participation and promotion

Man Group is committed to raising the awareness of responsible investment within the firm and more widely across the industry. Since 2014, Man has chaired the United Nations-supported Principles for Responsible Investment (UNPRI) Hedge Fund Advisory Committee and will be broadening its participation in the coming year to the Fixed Income and Academic Advisory Committees. Man also serves on the board of the Standards Board for Alternative Investment (SBAI) as well as Alternative Investment Manager Association (AIMA) Council.

In 2017, Man Group elevated its UNPRI signatory status to the Group level. We were also heavily featured this year at a number of UNPRI events, including hosting the London launch of the PRI Hedge Fund Due Diligence Questionnaire. The highlight of 2017 was the appearance by Steven Desmyter and Jason Mitchell on two panels at the annual PRI in Person Conference held in Berlin where Steven discussed the role of hedge funds in responsible investment while, separately, Jason addressed economic inequality and social cohesion. In addition, Man will host a PRI and CAIA-sponsored symposium, *Quant at the Intersection of Responsible Investment* on 29 January, 2018.

Man Group writes widely on responsible investing and environmental, social and governance issues. This year saw publications in the *FT Fundfire*, *AIMA Journal* and *HedgeFund Journal*. Jason Mitchell was also a contributing author to *Sustainable Investing: Revolutions in Theory and Practice* (Routledge Press: 2017).

Our engagement

In an effort to instil best practices in the area of responsible investment, Man Group has developed education courses for investment teams and, more widely, the firm to inform and enrich approaches to the analysis of environmental, social and governance factors in the investment decision-making process.

Our innovation

Man Group believes that there are significant opportunities for innovation in environmental, social and governance (ESG) investing. Man's multi-strategy breadth is uniquely suited to matching the firm's quantitative strengths with its fundamental work in areas like active ownership and engagement with companies. Man is currently implementing firm-wide analytics tools with third-party data providers to develop an ESG framework to better assess ESG investments risks and exposure.

CHARITABLE TRUST

Man Charitable Trust

Registered charity no: 275386

The focus of the Man Charitable Trust for 2017 has been on how we engage staff and expand our charitable focus across the regions.

While continuing the core grant-giving focus of supporting charities that demonstrate an improvement in literacy and numeracy skills in the UK, the Man Charitable Trust (the 'Trust') also focused on increasing employee volunteering and engagement across all regions in 2017. As Man Group expands, particularly in the United States, there has been significant effort to reflect this in the firm's charitable activities.

The Trust welcomed two additional Trustees in 2017 with Robyn Grew, Chief Administrative Officer and General Counsel, and Steven Desmyter, Head of EMEA Sales and Head of Responsible Investment, joining to complement the existing group of Teun Johnston (Chairman of the Trust and CEO of Man GLG), Colin Bettison (Head of Operations, Americas), Lydia Bosworth (Regulatory and Technical Manager), Antoine Forterre (Co-CEO of Man AHL), Keith Haydon (CIO of Man FRM) and Carol Ward (COO of Man GLG).

In 2017, further refinements were made to the grant-giving criteria to ensure the charities supported get the most value from the funds provided whilst also benefiting from the Trustees' individual involvement and experience. In addition, the Trustees have commenced the process of expanding the Trust's activities with a US based Charitable Trust in progress to commence in 2018 to reflect the Group's growth in the region.

The Man Charitable Trust successfully focused on increasing the number of employees engaged in the firm's ManKind community volunteering programme, which enables UK employees to take two additional days paid leave per annum to volunteer with charities supported by the Man Charitable Trust or a charity of their choice. The positive social benefits that stem from employees' skills, experience and knowledge can make a real difference to local communities. Volunteering also provides a highly cost-effective and valuable method of achieving positive learning and development benefits for our employees.

In September, the Man Charitable Trust partnered with Benefacto, a corporate volunteering platform. Benefacto enables individuals or groups to participate in a range of volunteering opportunities from supporting asylum seekers and refugees, to participating in art sessions for children, holding literacy sessions for women learning English, and keeping older people company at weekly lunch clubs. With support from Benefacto, we have successfully held a 'Christmas Volunteering Challenge' and increased volunteering at Man Group by over 10% (compared to 2016). The Trust provided $533,756 in charitable donations and employee engagement programmes over 2017. In the UK, the projects supported by the Trust benefited thousands of vulnerable children, young people and adults living in disadvantaged neighbourhoods, providing them with the essential skills they need to succeed in life and make a positive contribution to society. We look forward to building on the successes of 2017 throughout 2018 as the Man Charitable Trust footprint continues to grow, both internally and in the many communities we are a part of.

We would like to express our thanks to all Man Group employees who supported our charitable programmes during the year, and to those who donated via their Give as You Earn accounts. Additionally, we congratulate those who independently fundraised for charities of their choice and whose donations were proudly matched by the Man Charitable Trust. Sponsorship matching totalled $29,507 for 2017. In 2018, the Man Charitable Trust intends to continue to provide support to charities that are able to evidence their ability to improve literacy and education, and focus on increasing employee engagement in volunteering.

Featured grants

The Man Charitable Trust awards grants to charities that work towards raising the levels of literacy and numeracy in the UK. Examples of grants awarded in 2017 include:

The Children's Literacy Charity

The Children's Literacy Charity (previously Springboard for Children) aims to ensure that disadvantaged and vulnerable children and young people (including those with additional barriers to learning such as dyslexia) who are struggling to develop their literacy skills are able to learn to read and write at levels expected of their age.

The Trust's donation funds bespoke, one to one, literacy interventions for 28 disadvantaged children per year over two years in deprived areas of London. In addition to this funding, we have a team of Man staff providing their time as literacy volunteers. A group of staff members also coordinated a 'Give and Tonic' evening where senior management served staff with all proceeds being donated to The Children's Literacy Charity. This evening raised of over £5,000 which was then matched by the Trust, providing a total of over £10,000 to the charity.

Maths on Toast

Maths on Toast works to make maths fun – for families and communities. They work with families in all the places families are found – at home, at school, and in family friendly places – developing and delivering activities that include crafts, games, and colouring, partnering with community organisations and creative practitioners. Maths on Toast's aim is for people participating in their activities to enjoy them, identify them as maths and form family memories of good times doing maths.

The Trust granted £13,500 in core funding to Maths on Toast before providing an additional grant to assist Maths on Toast in expanding their influence by recruiting a full time Marketing and Operations Manager.

Vision for Literacy Business Pledge

Man Group is also a signatory of the Vision for Literacy Business Pledge 2018, having also signed the 2016 and 2017 Pledges. The Vision for Literacy Business Pledge galvanises the business sector behind the literacy challenge, with signatories committing to taking practical action that will deliver tangible benefits in helping to raise UK literacy levels. Signing the Pledge once again demonstrates our commitment to tackling the literacy challenge by taking action within the workforce, the local community and at national level.

MAN GROUP'S LITERARY SPONSORSHIPS

Man Group sponsors two major literary prizes, The Man Booker Prize and The Man Booker International Prize, in their celebration of literary excellence and creativity.

The Man Booker Prize 2017

The Man Booker International Prize 2017

As a firm, we believe in nurturing and celebrating intellectual capital. We want our colleagues to be able to articulate their thoughts with creativity, constantly questioning the world around them, and we have to see and interpret situations on many levels – both the obvious headline but also understanding the subtlety of competing narratives. These are all the things we do when we read great novels.

We also believe businesses like Man Group have an important duty to support progress in education at every level: from the Man Booker Prizes, which recognise global talent, to our more local initiatives in schools and universities. It is in all our interests and the right thing to do, we believe, to encourage and promote literary and academic endeavours in all their forms.

The Man Booker Prize 2017

The Man Booker Prize for Fiction, awarded annually to a novel written in English and published in the UK that year, is considered the leading literary award in the English-speaking world. In 2017, the fifteenth year of Man Group's sponsorship of the prize, it was awarded to *Lincoln in the Bardo*, by American author George Saunders. In the week following the announcement, sales of *Lincoln in the Bardo* increased by 1227% and Bloomsbury, the book's publisher, issued an immediate reprint of 100,000 copies.

Born in Texas and resident in New York, 58-year-old George Saunders is the second American author to win the prize in its 49-year history. Internationally renowned as a short story writer, *Lincoln in the Bardo* is Saunders' first full-length novel. The novel focuses on a single night in the life of Abraham Lincoln: an actual moment in 1862 when the body of his 11-year-old son was laid to rest in a Washington cemetery. Strangely and brilliantly, Saunders activates this graveyard with the spirits of its dead.

Of the novel, Baroness Lola Young, 2017 Chair of judges, said: "This tale of the haunting and haunted souls in the afterlife of Abraham Lincoln's young son paradoxically creates a vivid and lively evocation of the characters that populate this other world. *Lincoln in the Bardo* is both rooted in, and plays with history, and explores the meaning and experience of empathy."

The Man Booker International Prize 2017

Man Group has sponsored the Man Booker International Prize since its inception in 2005. Awarded each year on the basis of a single book translated into English, the Man Booker International Prize aims to encourage the publishing and reading of quality fiction in translation, and the £50,000 prize is divided equally between the author and the translator. All novels published in English in the UK are therefore eligible for one or other of the Man Booker Prize or Man Booker International Prize, ensuring that the 'Man Booker' can honour fiction on a truly global basis.

The 2017 Man Booker International Prize was awarded to *A Horse Walks Into a Bar* by David Grossman and translated by Jessica Cohen. The paperback of *A Horse Walks Into a Bar* sold 20,000 copies in the three weeks following the winner announcement.

Grossman is a bestselling Israeli writer of fiction, non-fiction and children's literature, whose works have been translated into 36 languages. Cohen, who was born in Colchester, England, but raised in Jerusalem, has previously translated Grossman's critically acclaimed To *the End of the Land* as well as work by other major Israeli writers.

Commenting on the novel, Nick Barley, chair of the 2017 judging panel, said: "*A Horse Walks into a Bar* shines a spotlight on the effects of grief, without any hint of sentimentality. The central character is challenging and flawed, but completely compelling. We were bowled over by Grossman's willingness to take emotional as well as stylistic risks: every sentence counts, every word matters in this supreme example of the writer's craft."

Jessica Cohen said in her acceptance speech: "This award is especially meaningful because it is an unparalleled recognition of translators. To me, the Man Booker International Prize is about recognising works that break down walls and barriers, that fight against dehumanising other people or other peoples, and find the language to express the human experiences that we all share."

CORPORATE GOVERNANCE REPORT

Introduction from the Chairman

2017 was a year of good progress for the Board as well as one of excellent performance by the business and management team.

Following certain improvements introduced at the beginning of the year and the embedding of the new executive team appointed in 2016, feedback from the 2017 Board evaluation indicated a number of areas of progress.

There was particular appreciation of the quality of discussion, the opportunity for open and inclusive debate and the strong engagement of the executive team. Full details of the Board's processes, areas of attention and activities during 2017 are given in the main body of this report. In this introduction, I have highlighted a number of changes we introduced and key areas on which we focused. Also noted are areas where further work is required and planned in 2018.

Strategy

In recognition of the importance Board members give to strategy debate, we have built more time into our regular meetings for deep dive reviews with senior management of individual business strategies and operations. These are interactive sessions which are centred on discussion and challenge and have been well received by both Board members and management teams. The regular review of individual business strategies enabled us to concentrate our annual strategy session on Man's long term direction and structure, including consideration of different views presented by external speakers on the future of asset management. Arising from this long term review, we identified a number of related strategic topics to be debated in future meetings.

Management performance and risk

We have continued to review management's execution of strategy and monitored the impact of recent business improvements, notably the changes made within Man's discretionary investment manager, Man GLG. Risk is always a key area of focus for a business such as Man and the Board has considered it both as a standalone topic and as an important factor in our decision making and business and strategic reviews. We explored in particular the uncertainties, integration challenge and opportunity costs attaching to potential acquisitions, Brexit, regulatory changes and technology. In our review of the substantial progress made by our Sales teams, we discussed the potential risk of concentration of assets in certain strategies and clients.

Technological change and innovation

The Board is keenly aware of the fast pace and challenge of technological innovation in our industry. During the year we had presentations from both internal and external experts in the area of IT and technology. The Board discussed with the Man AHL team the ongoing application of machine learning to Man AHL's quant strategies. It reviewed our Technology Group's contribution to enhancing Sales and the client experience, providing scalable flexible infrastructure and increasing operational leverage. We also reviewed the actions being taken to enhance Man's resilience to cyber risk and encouraged management to seek and share relevant learning with their counterparts in other businesses. We will continue to request regular updates on developments in technology and digital capability to keep abreast of the challenges and opportunities being created in this space.

Stakeholder voice

The Board is conscious of the increasing expectations placed on companies and their Boards by society at large and the added impetus given to the stakeholder voice by the Government's current Corporate Governance reforms.

The Board recognises the importance of taking account of all stakeholder interests for the support and protection of Man's long term growth. It has reviewed progress on the development of business partnerships with the Company's major clients and the creation of customised product solutions to meet investor needs. It has discussed the feedback from the 2017 employee survey and explored the impact of Man's recruitment, learning and development programmes, the retention of talent through internal promotion and improvements in diversity. The Board is also very aware of the importance of the Company's role in the societies in which it operates and has discussed expanding and enhancing the Company's and our people's involvement with local good causes. More specific reviews of the interests of stakeholders, including customers, staff and suppliers, will be undertaken in the current year.

Adherence to business principles

While recognising the strength of Man's business culture, the Board has questioned management on the extent to which the Company's business principles are embedded in employees' day to day behaviours and decision making, including any variation of penetration across different teams. The Board recognises that it is challenging for management to report and the Board to monitor qualitative issues of this kind. We will, however, continue to encourage management to analyse the impacts of business culture and discuss progress and weaknesses, particularly as the business grows.

Diversity and inclusion

The Board recognises the value of diversity on the Board and in the workforce as a whole. We have updated our Board diversity policy to embrace diversity in its broadest sense, both in our approach to new Board appointments and in our oversight and encouragement of diversity and inclusion initiatives throughout the firm. The Board's updated policy and disclosure on how it was implemented during the year is set out on page 64. This is another area of work in progress where we are confident that the measures we are taking will in time deliver a more diverse talent base in the business and on the Board.

People

I should like to congratulate the executive directors and all our people across the world for their excellent achievements during the year and to thank all my non-executive colleagues for their continued contribution and teamwork. I have greatly enjoyed working with them all. The Board will continue its overall focus on delivering long term value to our shareholders, fund investors and other stakeholders.

Lord Livingston of Parkhead
Chairman

BOARD OF DIRECTORS

CHAIRMAN

Lord Livingston of Parkhead
Chairman

Date of appointment
January 2016
Chairman: May 2016

Committee memberships
Nomination Committee (Chair)
Remuneration Committee

Background and career
Ian served as Minister of State for Trade and Investment from 2013 to 2015. Prior to this he was Group Chief Executive Officer of BT Group Plc, having previously served as Chief Executive Officer of BT Retail and as Group Chief Financial Officer. Before joining BT, he was Chief Financial Officer of Dixons Group plc.

Areas of expertise and contribution
With over two decades of board level FTSE 100 experience, Ian brings extensive knowledge and understanding of successfully growing a complex international business and navigating regulatory environments around the world. He has a strong track record of innovative leadership that is invaluable to the Board and executive team. Since being appointed as Chairman of Man Group, Ian has navigated the Board through significant change and has streamlined certain Board Committee memberships and delegations. He has also introduced sharply focused strategy sessions into the regular Board meetings.

Current external roles
Ian is a serving member of the House of Lords. He is Chairman of Dixons Carphone plc and a non-executive director of Belmond Ltd.

The Chairman's role
Leads the Board, sets its agenda and ensures it discharges its role effectively.

Supports and constructively challenges the CEO, fosters effective relationships between executive and non-executive Board members, and creates a culture of open debate.

Leads, with the support of the Nomination Committee, effective Board succession planning and the search for and appointment of new directors, taking account of the need for the development of Board competencies, experience and diversity.

Ensures that the Board is aware of the views of and maintains effective communications with shareholders and takes account of the interests of all stakeholders.

EXECUTIVE DIRECTORS

Luke Ellis
Chief Executive Officer (CEO)

Date of appointment
September 2016

Committee memberships
None

Background and career
Prior to his appointment to the Board, Luke served as President of Man Group from 2012 with responsibility for the management of Man's investment businesses. Before this he was Head and CIO of Man's Multi-Manager Business and Non-Executive Chairman of GLG's Multi-Manager activities. Luke previously served as Managing Director of FRM from 1998 to 2008, prior to which he was a Managing Director at J.P. Morgan in London.

Areas of expertise and contribution
Luke has a strong and varied investment management background and extensive knowledge of Man Group from his role as President. Since his appointment as CEO, Luke has led the Group in diversifying its product range and increasing its international presence. He has also continued to strengthen the Group's control focus through the creation of the Chief Administrative Officer role and the appointment of a Chief Investment Officer for the Group.

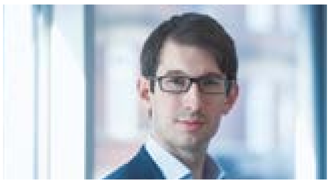
Current external roles
Luke is a director of Standards Board for Alternative Investments Limited, Greenhouse Sports Limited, Investhor Limited, and VWA Search Ltd.

The CEO's role
Leads the development, for Board approval, of business strategy and leads and oversees management's delivery against it.

Runs the business with appropriate delegated authorities, risk management systems and internal controls in place.

Builds and maintains an effective management team and workforce and develops, communicates and embeds within the business a shared purpose and set of business values.

Develops an effective relationship with the Chairman and leverages the knowledge and experience of non-executive Board members. Maintains an effective dialogue with shareholders on the Company's strategy and performance.



Mark Jones
Chief Financial Officer (CFO)

Date of appointment
January 2017

Committee memberships
None

Background and career
Before joining the Board, Mark served as Co-CEO of Man GLG from 2013 and COO from 2010. Mark joined Man GLG in 2005 from strategy consulting firm McKinsey where he worked across a range of industries.

Areas of expertise and contribution
Mark has significant management, financial and operational experience gained through his previous roles at Man. This experience, together with his extensive industry knowledge, has supported the development of the Group's strategy and offering to clients. Since his appointment as CFO, Mark has brought clear focus on cost through the delivery of challenging cost saving initiatives, and has successfully overseen a number of changes to the structure of the Group's Risk function.

Current external roles
Mark is a trustee of the Balliol Society Educational Trust.

The CFO's role
Manages the allocation and maintenance of the Group's capital, funding and liquidity in accordance with regulatory requirements.

Responsible for the preparation and integrity of the Group's financial information and its regulatory reporting.

Leads the development of annual budgets and medium term plans for Board approval. Responsible for the Group's risk management within the Board's Risk Appetite Statement and its capital buffer.

Builds relationships with shareholders, banks and counterparties, rating agencies, regulators and the external auditor in relation to the performance and financial structure of the Company.

Jonathan Sorrell
President

Date of appointment
June 2012
CFO: June 2012 – December 2016
Co-President: June 2016
President: September 2016

Committee memberships
None

Background and career
Jonathan joined Man in August 2011 as Head of Strategy and Corporate Finance. He was CFO from June 2012 to December 2016 and was appointed Co-President in June 2016 and President in September 2016. Prior to joining Man, Jonathan spent 13 years at Goldman Sachs where he worked in the Investment Management, Securities and Investment Banking Divisions, latterly leading investments in a broad range of alternative asset management firms.

Areas of expertise and contribution
Jonathan's experience of financial markets, particularly his extensive knowledge of the alternative fund management industry and strong background in strategy and execution, has supported the development of Man's business, including M&A activity that has strengthened the Group's footprint in the US and established a business in private markets. Since his appointment as President, Jonathan has designed and executed a new strategy for Sales & Marketing, successfully established Man Global Private Markets (including the integration of Aalto), and has continued to reposition, develop and grow Man FRM as an alternative asset management solutions provider.

Current external roles
Jonathan is a non-executive director of Nephila Holdings Limited, representing Man's interest as a minority shareholder.

The President's role
Leads and oversees the Group's Sales & Marketing capability globally.

Leads and oversees two investment engines, Man Global Private Markets and Man FRM.

Responsible for and leads the development of the Group's corporate strategy, including merger and acquisition activity.

BOARD OF DIRECTORS CONTINUED

The role of the Senior Independent Director

- Gains a broad overview of the work of the Board, including through serving on or attending each of the three main Board Committees.
- Provides a sounding board for and advice to the Chairman on any Board matters, including Board development and succession issues as appropriate.
- Acts as a focal point for communications with the non-executive directors should Board or business circumstances require this.
- Leads the annual performance evaluation of the Chairman and provides feedback to him.
- Available to shareholders if they have any concerns which contact through the normal channels has failed to resolve or is inappropriate.

The role of the Independent Non-Executive Directors

- Contribute to and constructively challenge the development of business strategy.
- Contribute to the identification of the Company's principal business risks and the determination of its risk appetite.
- Scrutinise and challenge management performance in delivering business strategy and meeting business objectives.
- Monitor and challenge the effectiveness of the internal control and risk management framework.
- Keep under review the Company's compliance with the regulatory principles and requirements impacting asset management and distribution.
- Review and challenge, prior to publication, the Company's financial statements and announcements.
- Keep Board composition and succession planning under review in light of changing business needs and recommend Board changes and appointments as appropriate.
- Determine executive director remuneration policy and awards.

SENIOR INDEPENDENT DIRECTOR

Richard Berland

Senior Independent Director (SID) and Remuneration Committee Chair

Date of appointment
January 2016
Chairman of the Remuneration Committee: May 2016, SID: May 2017

Committee memberships
Remuneration Committee (Chair)
Nomination Committee

Background and career
Richard held a number of senior roles at J.P. Morgan over a 23 year career at the firm, including Global Head of Prime Services, Global Head of Cash Equities and Chairman of J.P. Morgan's Market Structure practice.

Areas of expertise and contribution
Richard has a wealth of experience in the financial services sector gained through a number of senior executive roles. He also brings extensive experience from a diverse range of international non-executive positions which gives him a deep understanding of areas such as the current regulatory environment, risk management and technology. Richard's focus on investor engagement through his role as SID and Chairman of the Remuneration Committee has provided valuable context to Board decisions, specifically in relation to remuneration policy and practice.

Current external roles
Richard currently serves as Deputy Chairman of Deutsche Börse AG in Frankfurt and is a Director of its Eurex derivative subsidiaries in Frankfurt and Zürich. He is also a non-executive Director of Rothesay Life plc., the UK bulk annuity specialist insurer. His other roles include directorship of Saranac Partners Limited, London, and membership of the CFTC Global Markets Advisory Committee in Washington D.C.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dame Katharine (Kate) Barker

Independent non-executive director

Date of appointment
April 2017

Committee memberships
Remuneration Committee

Background and career
Kate is a business economist and was previously a member of the Bank of England's Monetary Policy Committee from 2001 to 2010. Prior to that, she was Chief Economic Adviser to the Confederation of British Industry. Her previous roles include Senior Adviser to Credit Suisse from 2010 to 2016 and non-executive director of the Yorkshire Building Society. Kate was awarded a CBE in 2005 for services to social housing and a DBE in 2014 for services to the British economy.

Areas of expertise and contribution
Kate has over 30 years' experience as a senior business economist with broad-ranging knowledge of monetary and public policy, and the financial services sector. Kate brings to Man strategic thinking and economic insight coupled with a strong knowledge of financial markets and is a valuable advisor and contributor to the Board.

Current external roles
Kate is currently a non-executive director of Taylor Wimpey plc and Chairman of Trustees for the British Coal Staff Superannuation Scheme. Kate is also a member of the National Infrastructure Commission.

John Cryan

Independent non-executive director

Date of appointment
January 2015

Committee memberships
None

Background and career
John is CEO of Deutsche Bank AG. He previously held a number of senior roles at UBS AG over a career spanning more than 25 years with the banking group, during which time he served as Group CFO and Chairman and CEO of UBS AG EMEA. Following his time at UBS, John was president of Temasek International's European Operations.

Areas of expertise and contribution
John has extensive knowledge of international financial markets gained from experience at leading global financial institutions and brings significant knowledge of the regulatory environment in which Man Group operates.

Current external roles
John is CEO of Deutsche Bank AG.

Andrew Horton
Independent non-executive director

Date of appointment
August 2013

Committee memberships
Audit and Risk Committee

Background and career
Andrew has served on the Board of Beazley plc since 2003, first as Group Finance Director and since 2008 as CEO. Prior to his time at Beazley, Andrew held a number of financial positions within ING, NatWest and Lloyds Bank.

Areas of expertise and contribution
Andrew has over 25 years of broad financial services experience with significant exposure to operating at Board level. With his banking, financial markets and insurance background, Andrew is well placed to contribute to Man Group's strategic development, risk management and financial reporting. Andrew's international experience has also enabled him to provide valuable input to Man Group's increased international presence.

Current external roles
Andrew is CEO of Beazley plc.

Matthew Lester
Independent non-executive director and Audit and Risk Committee Chair

Date of appointment
May 2011
Chairman of the Audit and Risk Committee: November 2011

Committee memberships
Audit and Risk Committee (Chair)
Nomination Committee

Background and career
Matthew was CFO of Royal Mail plc during the period of preparation for privatisation and for its first four years as a listed entity. Prior to that, he was Group Finance Director of ICAP plc from 2006 to 2010 and held a range of senior finance roles at Diageo, including Group Financial Controller and Group Treasurer.

Areas of expertise and contribution
Matthew has substantial financial management and regulatory expertise. He also has significant listed company experience acquired through his role at ICAP plc and through the flotation of Royal Mail plc on the London Stock Exchange. Matthew's experience enables him to provide substantial insight into the Group's financial reporting and risk management processes.

Current external roles
Matthew is currently a non-executive director of Capita plc, where he is Chair of the Audit and Risk Committee. He is also a non-executive director of Barclays PLC and Barclays Bank PLC, where he is a member of the Board Audit and Board Risk Committees.

Dev Sanyal
Independent non-executive director

Date of appointment
December 2013

Committee memberships
Audit and Risk Committee

Background and career
Dev has held a number of senior financial and line management positions with BP in a global career spanning more than 25 years. Dev is Chief Executive, Alternative Energy and Executive Vice President, Europe & Asia Regions at BP plc.

Areas of expertise and contribution
Dev has extensive knowledge of capital markets, asset and risk management, trading and foreign exchange gained from his role as BP Group Treasurer and Chairman of BP Investment Management Ltd. With broad international experience and wide ranging operational expertise in senior executive roles, he is able to contribute to the development and execution of Man Group's business strategy and global relationships.

Current external roles
Dev is Chief Executive, Alternative Energy and Executive Vice President, Europe & Asia Regions at BP plc. He is also a member of the Accenture Global Energy Board; a member of the Board of Advisors of The Fletcher School of Law and Diplomacy, Tufts University; Vice Chairman of the Centre for China in the World Economy at Tsinghua University and a member of the International Advisory Board of the Ministry of Petroleum and Natural Gas, Government of India.

Nina Shapiro
Independent non-executive director

Date of appointment
October 2011

Committee memberships
Remuneration Committee

Background and career
Nina held several senior management and operating roles at the World Bank and has led numerous investments in emerging markets. From 2000 to 2011, Nina was a member of the Management Group and was Vice President, Finance, and Treasurer of the International Finance Corporation (the World Bank's private sector arm). In that role, she managed IFC liquid asset investment and funding, and capital market development in emerging markets.

Areas of expertise and contribution
With extensive experience in international financial markets and in-depth knowledge of investment in emerging markets, Nina has particular insight into financial policy and market development. This perspective helps to support Man Group in its international expansion.

Current external roles
Nina currently serves as Chairman of Global Parametrics (an enterprise for parametric risk transfer of catastrophic risk in emerging markets), and is a director of Mountain Partners (an accelerator for early technology ventures), Identiv (a technology security company) and Zyfin (an originator of ETFs for emerging markets). She is also on the Advisory Boards of the New Silk Route PE Fund, the Carbon Trust (environmental group) and Mariner Infrastructure Investment Management.

CORPORATE GOVERNANCE REPORT CONTINUED

Board profile

Percentage of Board members with relevant experience

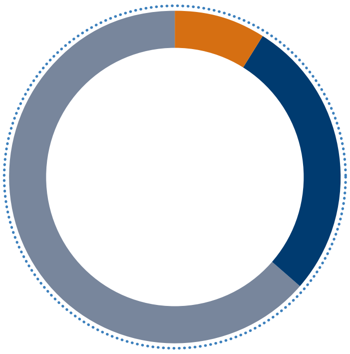
Finance and investment
100%

International
100%

Risk management
73%

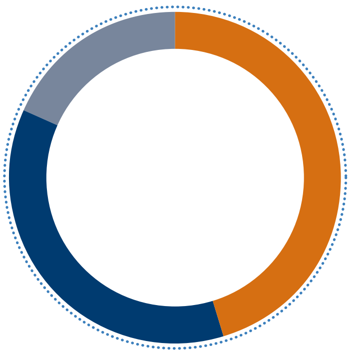
Operations
82%

Board composition



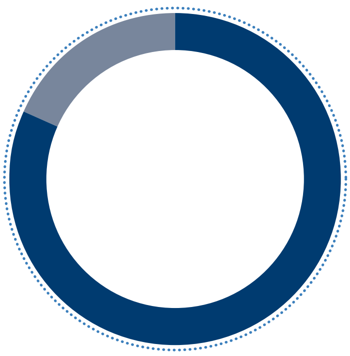
Chairman	9.1%
Executive directors	27.3%
Non-executive directors	63.6%

Tenure



0–3 years	45.5%
3–6 years	36.3%
6+ years	18.2%

Gender diversity



Male	81.8%
Female	18.2%

For full details of Man's Board diversity policy and planned actions in 2018, please see page 64.

Board governance

Role of the Board

The Board's core role is to promote the long term success of the Company for the benefit of its shareholders. This requires us to:

- Determine and review business strategy and Man's appetite for risk
- Monitor management performance in delivering that strategy
- Ensure that risk management measures and internal controls are appropriate and effective
- Oversee and monitor the embedding of and adherence to the Company's business values
- Ensure that the Company's financial structure, resources and culture will support long term growth

In doing all this, the Board must also have regard to the interests of a wide range of stakeholders, including employees, customers, suppliers and the communities in which the business operates, in order to create mutual trust and long term sustainability.

Matters reserved for the Board

To fulfil its role, the Board reserves for itself certain key areas of decision such as business strategy, major acquisitions, risk appetite, capital structure, borrowings, financial reporting and communications with shareholders. For a full list of Board reserved matters, please see our website www.man.com/corporate-governance.

Board Committees

The Board delegates its formal governance responsibilities to the three non-executive Board Committees listed below; separate reports on the activities of these Committees during 2017 can be found on the pages shown.

Board

Audit and Risk Committee
Page 56 for the Audit and Risk Committee report

Nomination Committee
Page 62 for the Nomination Committee report

Remuneration Committee
Page 65 for the Directors' Remuneration report

2017 Board meetings

Board member	Meeting attendance
Ian Livingston, Chairman	7/7
Katharine Barker[1]	6/6
Richard Berliand	7/7
Phillip Colebatch[2]	4/4
John Cryan	7/7
Luke Ellis	7/7
Andrew Horton	7/7
Mark Jones	7/7
Matthew Lester	7/7
Dev Sanyal	7/7
Nina Shapiro	7/7
Jonathan Sorrell	7/7

1 Katharine Barker joined the Board on 1 April 2017.
2 Phillip Colebatch retired from the Board on 30 September 2017.

Board delegation of decisions to CEO

All business decisions and activities which are not specifically reserved for the Board or its Committees are delegated to Luke Ellis as CEO. Luke has appointed and runs the business through the Senior Management Executive Committee. The members of the Committee and their particular areas of responsibility are shown below.

CEO's delegated authorities within the Group

In addition, to support and protect the development and day to day running of business throughout the Group, Luke has implemented a framework of delegated authorities which is reviewed on a regular basis and adopted by all Group entities. This sets out the operating authorities and procedures which apply for the approval of business strategy and investment products, budgets and expenses, treasury, tax, regulatory, legal and other matters.

Senior Management Executive Committee

Robyn Grew
Chief Administrative Officer and General Counsel

Man's infrastructure – Operations, Technology, Compliance, Legal, HR and Facilities

Robyn joined Man with the acquisition of GLG after previous legal, regulatory and risk management roles at Barclays Capital and Lehman Brothers. She was previously Man's Global Head of Compliance and Regulatory.

Mark Jones
Chief Financial Officer and Executive Director

Allocation and maintenance of the Group's capital, integrity of financial reporting, risk management, and relationships with shareholders, regulators, banks and auditors.

Page 45 for biographical details

Sandy Rattray
Chief Investment Officer

Man AHL, Man Numeric, Man GLG and Man Solutions

Sandy joined Man with the acquisition of GLG after 15 years at Goldman Sachs. He has extensive experience in developing quantitative trading strategies and was previously CEO of AHL.

Jonathan Sorrell
President and Executive Director

Global Sales and Marketing, corporate strategy and M&A, Man Global Private Markets and Man FRM.

Page 45 for biographical details

Board operation during 2017

The Board held seven main meetings during 2017, including a full day strategy review which focused on the long term prospects for the investment management industry and the direction of Man. The tables on pages 50 and 51 set out the main actions undertaken by the Board to discharge its role during 2017.

To provide greater insight into how the Board conducts its work, key aspects of its approach are discussed below.

Strategy review

In response to feedback from the 2016 Board evaluation, the timing of meetings was reviewed to provide an earlier start and increased opportunity for in depth review at every meeting of individual business and operational strategies in line with a programme agreed by the Board. These sessions also gave non-executive Board members further exposure to executives working in a wide range of business areas and facilitated the building of longer term relationships. The focus of such sessions is on analysis and challenge, rather than presentation, and the sharing of non-executive experience and insights.

Consideration of risk

Consideration of risk is always integrated into strategy reviews and business decisions. In evaluating potential acquisitions, the Board considered, in addition to the financial case, the issues which might threaten the Company's strategic objectives in terms of scale and management stretch, integration and reputational challenges and the opportunity cost. In reviewing the Sales teams' planning and client development strategy, the Board discussed the analysis of assets at risk, the potential for over concentration of product and customer base and the risk of over allocation of resource.

People and values

The Board seeks regular updates from the executive team on a wide range of people issues. In 2017 these included the impact of the consolidation of investment management and Sales teams into one London office, the findings of the staff survey and staff sentiment about year end compensation awards. The Board reviewed and discussed the Company's diversity statistics, its inclusion and diversity initiatives and the output from its gender pay analysis. It also sought to understand and test how the Company's business principles are being embedded across the firm and evidenced in employee behaviours and working practices. The progress made by the leadership team in reinforcing Man's business principles in the day to day working environment is well recognised and the Board is keen to increase its insight into and challenge of the shaping of this culture.

In depth analysis

The Board brings, where appropriate, a highly analytical approach to its discussion of business issues. An example of this was that, prior to the Board's review of the 2017 ICAAP, Man's Head of Central Risk gave individual briefings to non-executive directors on the structure of the document and the approach taken by Man to its preparation. In a debate lasting some two and a half hours, the Board then collectively reviewed and challenged the executive team and an external consultant on the content of the document, focusing particularly on the risk modelling and correlation assumptions applied.

Follow up and monitoring

Board discussions may give rise to requests for further information or analysis on a given topic in order to enhance non-executives' understanding of a business issue. Briefing notes on issues such as the output from the FCA's Asset Management Market Survey, the impact of MiFID II on Man's investment and trading activities, and the treatment of dormant assets have been prepared and circulated. The Board may also seek updates on progress on a particular area of the business on which it has focused during the year. Following changes made in Man GLG at the end of 2016, the Board received a written quarterly review from the CEO of that business on performance, flows, new initiatives and people changes during the year. Details of more formal education and training sessions on regulatory impacts requested by the Board and delivered by external firms during the year are set out later in this report.

CORPORATE GOVERNANCE REPORT CONTINUED

Board activities during 2017

Review and develop business strategy

Annual long term strategy review (full day)
- Consideration of long term future of asset management including external views from different industry experts
- Challenge of the value delivered by active management strategies
- Analysis of the comparative values of organic and inorganic business growth
- Review of M&A and partnering opportunities

Individual business ("deep dive") strategy reviews
- Review of current Man AHL product range, relative performance, growth prospects and the value derived from machine learning
- Review of the evolution of Man FRM as a bespoke institutional solutions provider and key developer of Man's cross-content product range
- Review of the progress of Aalto against plan and discussion of further Man Global Private Markets acquisition prospects
- Review of the progress of Man Numeric since acquisition and discussion of future objectives to develop asset growth
- Review of Man Solutions cross-content investment products and development initiatives

Operational strategy reviews
- Review of Technology Group's contribution to business development in terms of alpha generation, client service, flexible infrastructure and operational leverage
- Review of cyber protection strategy
- Review of initiatives to reduce trading costs
- Review and approval of Man's tax positioning and strategy

Acquisition strategy and review of prospects
- Analysis of market trends and pricing and evaluation of several potential prospects
- Review of learning from discontinued prospects, including the value of Man's disciplined approach to transaction structuring
- Review of integration and progress of acquisitions against plan

Determine risk appetite and monitor and manage risk

- Review and approval of Man's updated Risk Governance and Appetite framework in line with changes in the business and control environment
- Review of the commercial drivers of top level business risks and the identification and analysis of operational risk indicators
- Ongoing monitoring of business risks and the effectiveness of Man's risk management and internal control framework
- Assessment of reporting on Man's principal business risks and their mitigation in the Annual and Interim Reports

More on pages 30 to 35

Monitor business performance

- Ongoing monthly review of investment manager performance, asset flows and FUM, and financial results
- Specific focus on the performance of Man GLG following operational changes in 2016
- Review of the performance of new discretionary investment management team hires
- Analysis of fund redemption patterns and actions taken to identify and focus on assets most at risk
- Review of the operation of the seeding book and lessons learnt from testing new strategies
- Review and approval of updated KPIs to monitor and report on Man's overall performance and progress

Oversee business values and people engagement

- Review of the embedding and day to day adherence to business principles, including the level of penetration across different teams
- Review of ongoing talent development, internal promotions and learning opportunities
- Discussion of employee recognition initiatives and encouragement of employee volunteering culture
- Discussion of diversity statistics and review of current diversity and inclusion initiatives

Review financial structure, funding and capital distribution

- In depth review of Man's 2017 ICAAP (review of regulatory capital requirement) submission to the FCA including challenge of the risk modelling and correlation assumptions applied
- Review of economic capital and liquidity requirements and the implications for Man's future capital structure
- Approval of extension of Revolving Credit Facility
- Review of dividend policy and approval of further share buyback programme

Review and approve resources

Business planning
- Review and approval of Budget and three year Medium Term Plan
- Specific reviews of the cost of MiFID II implementation including the decision to absorb investment research costs
- Review and approval of the lease of new London office accommodation to co-locate investment management and Sales teams

Talent and people
- Discussion of senior management succession and development plans (see Nomination Committee report on page 62)
- Approval of Directors' Remuneration policy and structure (see Directors' Remuneration report on page 65)

Financial reporting and shareholder communications

- Approval of year end and half year financial results and dividends
- Review and approval of Q1 and Q3 Trading Statements
- Approval of Annual Report and Notice of AGM

Consideration of stakeholder impacts and interests[1]

Shareholders
- Reviewed investor views on business strategy and management performance and discussed their implications
- In depth engagement and discussion of feedback on the development of the new Directors' Remuneration policy (see Directors' Remuneration report)

More on pages 54 and 55

Staff
- Discussed results of global staff survey and actions being taken in response
- Discussed the impact of recruitment policies and diversity and inclusion initiatives
- Discussed the analysis of gender pay reporting disclosures within Man and their implications

More on pages 36 to 39

Customers (Fund investors)
- Reviewed Man's commitment to Responsible Investment, including the work of its Sustainability Strategist and Responsible Investment Committee
- Reviewed and discussed the Sales teams' approach to the development of Client relationships
- In depth review of the development of individual strategic partnerships with Clients involving engagement on industry interests and the provision of added value services

More on pages 18 and 41

Suppliers
- Review of relationships and engagement with Man's supply chain as part of the approval of the Company's Modern Slavery Transparency Statement

Community
- Review of the funding given to the Man Charitable Trust and its activities
- Approval of additional funding to establish a US charitable trust to reflect the extension of Man's US footprint and support US teams' volunteering initiatives

More on page 42

1 Man's corporate responsibility strategy is set out on page 40. For details of the further review of stakeholder interests planned in 2018, please see the Board evaluation actions on page 54.

CORPORATE GOVERNANCE REPORT CONTINUED

Board strength

The Board biographies on pages 45 to 47 and the analysis of the Board's composition on page 48 give a flavour of the breadth and depth of talent and experience on Man's Board in terms of business career, background, skills and global exposure. The non-executive directors bring wide ranging contributions and diverse perspectives to Board review and decision making from their current executive or portfolio careers. A mix of short and long tenure delivers fresh outlooks and challenge complemented by a longer term understanding of the business and its people. There are still some gaps in our skill set and we have more to do on promoting diversity, including gender diversity, both on the Board and within Man's senior management team. Our Board diversity policy and discussion of actions taken in this area during the year are included in the Nomination Committee report.

Board dynamics

In the 2017 Board evaluation, the majority of Board members felt that Board dynamics were good and continued to improve, reflecting in part the positive contribution and relationships of the new executive team. I maintain very regular communication with the senior executive team and continue dialogue with non-executive directors in between meetings on relevant issues as they arise. We encourage non-executives to discuss and share their experience on industry issues with executives at Board level and below.

Board debate and independence

The 2017 evaluation feedback commented favourably on the quality and openness of discussion at Board meetings and the fact that there was a concerted effort to ensure that everyone had the opportunity to contribute to the full to decisions made. Each of our non-executive directors has a keen independent outlook informed by their experience outside Man and each brings to management proposals a robust scrutiny which is welcomed by the executive team. Our non-executive directors meet informally for biannual Board dinners without the presence of the executive directors to discuss current business and people issues. The CEO's input to these meetings is invited and much appreciated prior to private non-executive discussion of issues raised.

Managing conflicts of interest

As a matter of formal governance, all Board members are required to disclose and keep me updated on any external roles or interests they are considering which might conflict with their responsibilities as a director of the Company. Should any such potential conflicts arise, they will be duly assessed by the other members of the Board and a decision will be taken on the extent to which any such conflicts can be effectively managed. In addition, in recognition of the wide ranging roles and interests of the non-executive directors, the Board carries out an annual year end review of all such roles and interests to ensure that they do not represent any unmanageable business conflict or a time commitment which might prejudice directors' effective contribution to the Man Board.

Board induction

Induction to the Board

Our non-executive directors receive a comprehensive induction to the business and our industry as soon as they are appointed, tailored as necessary to their background and previous experience. Audit and Risk and Remuneration Committee members are given a briefing on the role and workings of those Committees, current areas of focus and regulatory developments. The induction programme is structured around one to one meetings with the executive directors, Executive Committee members, Heads of Group functions and the Company Secretary covering the main areas of business set out in the table opposite.

We seek feedback on the programme from our non-executives both immediately and a few months after their appointment with a view to making changes which would be beneficial to future appointees. Kate Barker participated in the programme on her appointment to the Board and the Remuneration Committee in April and was well prepared to participate in subsequent Board discussions. She was also well placed to bring to the Remuneration Committee her experience as Chair of the Remuneration Committee at Taylor Wimpey plc.

Non-executive induction programme

Business review

- Strategic direction and priorities
- Business strategy and market context
- Risk appetite, principal risks and risk governance framework
- Overview of Man AHL, Man GLG, Man FRM, Man Numeric and Man Global Private Markets
- Global Sales and Marketing
- Budget and Medium Term Plan
- Operations and Technology

Performance and market positioning

- Review of financial and market performance
- Recent analyst and media coverage
- Analysis of shareholder base and investor perceptions
- Shareholder engagement

Regulatory environment

- Overview of the Group's key compliance and regulatory policies
- Recent changes in regulatory landscape and impact of upcoming regulatory developments
- Hot topics and key priorities for regulators including relevant thematic reviews

People, culture and values

- Discussion of business principles
- Key people and succession plans
- HR priorities including diversity, training and talent pipeline
- HR structure and outsourcing arrangements

Regulatory and governance framework

- Board structure, processes and relationships
- Board interaction with the business
- Overview of listed company obligations, reporting and corporate governance framework
- Directors' duties and responsibilities

Board training

Our induction programme is only the first step in building directors' understanding of the business. Further education is provided in regular Board meetings through individual business strategy and operations reviews and our non-executives look for opportunities to get out into the business for one to one engagement with senior management. As an example of this, Richard Berliand and I recently made a dedicated trip to the US to visit our Man Numeric and Man Global Private Markets businesses and our central US Finance, Compliance, Legal and Sales teams.

The Company Secretary regularly circulates to the Board details of external programmes for non-executives on topical business and regulatory issues and a number of Board members attended workshops on Audit and Risk Committee challenges and cyber strategy during the year. In addition, in response to requests for in-house briefings on the numerous regulatory developments currently impacting our business, the Company's auditors and external legal advisers led a series of interactive Board training sessions on the topics set out below. These were held within scheduled Board meetings and provided the opportunity for full discussion and challenge by Board members of the implications of the developments for Man's business.

In-house training programme

Accounting update

- Potential impact of upcoming accounting changes
- Refresher on key accounting rules impacting Man
- Update on Financial Reporting Council hot topics

Board governance of technology risk

- Overview of the current technology risk landscape across the industry
- Review of key findings from a recent EMEA IT risk management survey
- Identification of main areas on which the Board should focus: strategic alignment, IT operations risk, measurement of value to the business, resource capability and cyber risk

Corporate governance and regulatory update

- Briefing on the Government's corporate governance reform package and implementation plans and the implications for Man
- Developments in non-financial reporting and other transparency requirements
- FCA focus on firms' culture and governance practices
- FCA expectations regarding Board oversight of risk appetite framework and reporting

Market Abuse Regulation ('MAR') and Senior Managers and Certification Regime ('SMCR')

- Refresher on the key features of MAR, the importance of internal processes and recent FCA enforcement activity
- Briefing on the FCA's current proposals for the application of SMCR to investment management firms
- Discussion of Man's proposed approach to SMCR implementation and the implications for the business

2017 Board evaluation

Evaluation cycle

In compliance with the UK Corporate Governance Code, Man carried out a full external evaluation in 2015 and an internal evaluation in 2016. For 2017, which was my first full year as Chairman, I decided to carry out a further internal Board evaluation which sought directors' feedback on specific improvement actions agreed at the end of 2016 and views on a range of other issues which are key to the efficient and effective working of the Board. Details of the process followed are set out below.

Evaluation process in 2017

- Written questions assessing progress against 2017 actions and current Board operation circulated.
- Individual responses, comments and suggestions consolidated on an unattributed basis and circulated to the Board for review.
- 1:1 discussions between me and individual directors on the evaluation findings and related issues.
- Summary of the findings and individual discussions presented and noted at the December Board meeting.
- Improvement actions for 2018 discussed and agreed.

Evaluation findings

Overall, directors' feedback indicated a high level of satisfaction with the operation of the Board. The quality of papers, the open and genuine discussion, the level of engagement and the Company Secretary's and administrative Board support received particular praise. The detailed output from the evaluation in terms of clear progress made and areas for further work in 2018 are summarised on page 54. A number of these areas of progress and agreed future actions have been discussed in earlier sections of this Corporate Governance report.

Board Committee evaluations

Separate evaluations were carried out for the Audit and Risk and Remuneration Committees and are reported in the respective Committee reports. Questions relating to the work of the Nomination Committee were included in the main Board assessment and the outcome of that separate evaluation and agreed actions for 2018 are discussed in the Nomination Committee report.

Individual director reviews

As part of my private discussions with individual directors on the outcomes of the collective Board evaluation, I explored with them their personal contributions and any areas for further learning and development.

Richard Berliand, as Senior Independent Director, reviewed my leadership and management of the Board with each member individually and shared and discussed their feedback with me.

CORPORATE GOVERNANCE REPORT CONTINUED

2017 Board evaluation findings

Assessment of progress against 2017 actions

	Progress made	Agreed 2018 actions
Timing, structure and content of meetings	Earlier meeting start time to accommodate the scheduling of regular business and operational strategy reviews with business owners.	Continue time efficient scheduling with rich agenda content.
Effectiveness of annual strategy meeting	2017 strategy meeting focused on the long term development and direction of asset management with external perspectives from industry peers.	Continue the long term focus including the consideration of external views and the implications for Man.
Effectiveness of deep dive strategy reviews	High quality analysis of business and operational strategies with opportunity for challenge of management and the sharing of non-executive experience.	Continue the programme of regular reviews and bringing business owners to the Board.
Board strength, balance and diversity	Board strengthened with the appointment of Kate Barker.	Further work planned to continue to broaden the Board's background, capabilities and diversity through ongoing non-executive director search (see also Nomination Committee evaluation outcomes on page 63).

Assessment of ongoing Board operation and effectiveness

	Comments	Agreed 2018 actions
Scope, quality and timeliness of papers and presentations	High quality materials and discussions with presenters.	Maintain high quality submissions to stimulate challenge and added value discussion.
Scope and quality of Board training	Formal in-house programme introduced for the first time.	Relevant training sessions to continue to be incorporated in Board meetings.
Quality of CoSec and administrative Board support	Highly appreciated and rated strongly relative to non-executive directors' experience on other Boards.	Continue to develop the support provided in response to changing Board and business need.
Effectiveness of Board dynamics	Strong engagement of executive directors with their non-executive Board colleagues.	Continue to create and pursue opportunities for further non-executive engagement with senior management below Board level.
Awareness and consideration of business values and behaviours	Good progress made on management reporting to the Board on people and the implementation of business values.	Continue regular management reporting on and Board review of people development, behaviours and diversity.
Awareness and consideration of stakeholder interests	Main focus has been on shareholders, clients and staff.	Introduce an annual review and analysis of overall client base and half yearly reviews of key client relationships. Board review of other stakeholder group interests (including staff and suppliers) to be scheduled.

Engaging with shareholders

The Board is committed to proactive and ongoing engagement with the Company's investors and is keen to understand the views of major shareholders. The Board receives updates at every meeting from the Head of Investor Relations on important changes in the share register and current areas of interest. Copies of investment research published on the Company are regularly circulated.

Midway through the year our independent advisers and corporate brokers gathered feedback from investors and provided the Board with a high level summary of their views. This covered issues such as the diversification of Man's investment business, its acquisition strategy, options for growth and the performance of the new executive team. The Board welcomed this feedback and noted the continuing need for Man to explain and update the market on its investment case.

Richard Berliand, as Chairman of the Remuneration Committee, provides regular reports on shareholder views on Man's Directors' Remuneration policy and award decisions from his engagement with top shareholders and shareholder representative bodies.

Institutional investors

The Company has developed a comprehensive investor relations programme through which the Head of Investor Relations, CEO and CFO maintain a continuous dialogue with investors on performance, plans and strategic objectives. This is achieved through one to one meetings throughout the year and participation in investor roadshows and investor conferences. The 2017 investor events calendar is set out opposite.

Key areas which the CEO and CFO have discussed with investors during the year have included:

- Investment performance across our range of strategies
- Flows, interaction with clients, product innovation and margin trends
- MiFID II implementation
- Progress in the areas of Machine Learning and Artificial Intelligence
- Potential new acquisitions and capital management

During 2017, Richard Berliand spent considerable time consulting with major shareholders and shareholder representative bodies on the most appropriate approach to directors' executive remuneration in Man ahead of our seeking approval for a new Directors' Remuneration policy at the 2018 AGM. Further details of this engagement are provided in the 2017 Directors' Remuneration report on page 65.

Private investors
Our private investors are encouraged to access the Company's Interim and Annual Reports, half-year and final results presentations and quarterly trading statements on our website. Other useful information such as historic dividend records and shareholder communications is also available. Our website also gives access to our Registrars' Shareview website (www.shareview.co.uk) through which shareholders can manage their individual account online. Printed copies of our Annual and Interim reports and other shareholder communications continue to be available on request for shareholders who prefer this method of delivery.

We are always keen to understand the views of and answer questions from private investors and offer a dedicated shareholder mailbox (shareholder@man.com) for this purpose.

Shareholder meetings
We welcome shareholders to our AGM in May each year. At every AGM, our shareholders are given an overview by the CEO of the progress of the business and our future plans and outlook. This is followed by the opportunity for shareholders to ask questions about the resolutions before the meeting and about the business more generally. The CEO's presentation is made available on our website after the meeting.

We look forward to meeting shareholders and providing a further business update at our 2018 AGM in May this year. If you are unable to attend the AGM, please send in any questions that you would like raised at the meeting to our AGM mailbox (agm@man.com) and we will provide a direct reply.

Lord Livingston of Parkhead
Chairman

Calendar of investor events

Q1 2017	– 2016 year end results released – 2016 Annual Report published – UK investor roadshow – US investor roadshow – Morgan Stanley Annual European Financials conference (London)
Q2 2017	– Q1 2017 Trading Statement released – Shareholder engagement on 2016 Directors' Remuneration report and AGM voting – Annual General Meeting
Q3 2017	– 2017 interim results released – 2017 Interim Report published – UK investor roadshows – US investor roadshow – Barclays Global Financial Services Conference (New York) – Bank of America Merrill Lynch Annual Banking and Insurance Conference (London) – Communications and meetings with shareholders and shareholder representative bodies to discuss the new Directors' Remuneration policy
Q4 2017	– Q3 2017 Trading Statement released – JP Morgan 'Best of British' conference – Bank of America Merrill Lynch Annual Banking and Insurance Conference (Paris) – Citi European Diversified Financials Conference (London) – Continued engagement with shareholders and shareholder representative bodies on the new Directors' Remuneration policy

Statement of compliance
The Company has, throughout the year ended 31 December 2017, applied the principles of and complied with the provisions of the UK Corporate Governance Code (the 'Code') except in relation to the following:

Setting the Chairman's remuneration
Provision D.2.2 of the Code requires that the Remuneration Committee (the 'Committee') should have delegated responsibility for setting the remuneration of the Chairman. The terms of reference of the Committee provide that the Committee has authority to recommend to the Board but not to approve the remuneration of the Chairman. This is because the Board believes that, in order to provide transparency and allow the views of all the directors, executive and non-executive, to be taken into account, it is appropriate for all Board members to provide input into the determining of the Chairman's remuneration.

Other information
Certain additional information in relation to the Company's share capital, the powers of the directors and amendments to the Articles of Association that is required to be disclosed in the Corporate Governance report pursuant to DTR 7.2.6 may be found in the Directors' report on pages 95 and 96.

AUDIT AND RISK COMMITTEE REPORT

During the year the Audit and Risk Committee (the 'ARCom') has continued to support the Board in its assessment of the integrity of the Group's financial reporting, monitoring the effectiveness of the Group's systems of risk management and internal controls, and overseeing the activities of the Group's Internal Audit function and its external auditor.

The ARCom has also dedicated significant time to considering regulatory developments impacting the Group such as MiFID II, to reviewing and challenging the process supporting the Group's ICAAP submission and to discussing the integration of the Aalto acquisition. We have also made a number of changes to the ARCom's forward agenda during the year which have enabled us to develop our understanding of the oversight and governance arrangements that exist in respect of Man's overseas offices, the most significant risk issues facing certain key offices and the processes and controls that have been implemented to mitigate such risks.

In addition, the ARCom has continued to challenge whether the right culture exists within Man to ensure transparency and accuracy of financial reporting and has undertaken a candid assessment of the risks facing the Group and the degree to which they are effectively mitigated. The ARCom has been pleased to see continued progress in this area.

Matthew Lester
Chairman, Audit and Risk Committee

Membership and meeting attendance

I am supported in my role as Chairman of the ARCom by Andrew Horton and Dev Sanyal, both of whom are independent non-executive directors. Phillip Colebatch stepped down from the Board on 30 September 2017 and therefore ceased to be a member of the ARCom from that date. I am considered to have recent and relevant financial experience for the purposes of the UK Corporate Governance Code (the "Code") and the ARCom as a whole has competence relevant to the sector in which the Group operates. Further details of the ARCom members' experience and areas of expertise and contribution are provided on page 47.

During the year, we met on six occasions with attendance at these meetings set out below:

Committee member	Meeting attendance
Matthew Lester	6/6
Phillip Colebatch	3/4[1&3]
Andrew Horton	5/6[2&3]
Dev Sanyal	6/6

1 Phillip Colebatch stepped down from the Board on 30 September 2017. He was not able to attend the ARCom meeting in February 2017 which had to be rescheduled at short notice to accommodate conflicting commitments of other ARCom members.
2 Owing to conflicting business commitments, Andrew Horton was not able to attend the ARCom meeting in October 2017.
3 Phillip and Andrew both received and reviewed the papers to be considered at the meetings and had the opportunity to direct any questions to the Chairman in advance of the meetings.

The Board Chairman, CEO, CFO and CAO are invited to attend committee meetings along with the Head of Internal Audit and representatives from Deloitte LLP ('Deloitte'), the Group's external auditor. Other members of the senior management team attend for those items that are relevant to them. At the end of each meeting, the ARCom meets with the Head of Internal Audit and representatives from Deloitte in the absence of management. Both the Head of Internal Audit and Deloitte have direct access to me should they wish to raise any concerns outside formal meetings.

How the ARCom operates

Forward agenda	The ARCom's annual forward agenda covers key events in the financial reporting cycle, specific risk matters identified by the ARCom and standing items that it is required to consider in accordance with its terms of reference. The forward agenda is reviewed and updated in response to changing business risks and priorities.
Agenda setting meetings	In order to identify key issues impacting the business that may require consideration by the ARCom, agenda setting meetings, which I attend together with members of the senior management team, the Head of Internal Audit and representatives from Deloitte, are held in advance of each committee meeting.
Committee meetings	At each meeting, the ARCom considers dashboards which highlight and monitor changes in the key risks impacting the business, compliance matters, the financial controls framework and internal controls. The dashboards are designed to enable the ARCom to focus on any matters that may require further discussion. The ARCom also receives reports and presentations on key financial reporting, risk, compliance and audit matters from management who attend committee meetings to report on significant issues and respond to queries raised by the ARCom.
Board reporting	I report to the Board on the key areas of discussion and make recommendations as appropriate following each committee meeting.

Roles and responsibilities

The ARCom is integral to Man Group's governance framework through its oversight of the Group's financial reporting, risk management and internal controls, and internal and external audit. The ARCom's roles and responsibilities are outlined below, together with an explanation of how it has discharged its responsibilities during the year. Full terms of reference for the ARCom, which are reviewed on an annual basis and referred to the Board for approval, are available on the Company's website www.man.com/corporate-governance.

Financial Reporting	– Monitor the integrity of the financial information contained in the interim and annual financial statements with particular focus on key accounting policies, judgements and estimates and the financial controls framework. – Review the viability and going concern statements and recommend their approval to the Board. – Advise the Board on whether the ARCom believes the Interim and Annual Reports to be fair, balanced and understandable.
Risk Management, ICAAP, Internal Controls & Compliance	– Monitor and review the effectiveness of the Group's systems of risk management, capital adequacy and internal controls (please refer to page 32 for further details). – Ensure that a robust assessment of the principal risks facing the Group has been undertaken and advise the Board on the management and mitigation of these risks. – Review the Group's Internal Capital Adequacy Assessment Process ('ICAAP') including regulatory and economic capital, downside forecasts, and the wind down cost. – Review the effectiveness of the Group's regulatory reporting activities, Compliance function and arrangements for staff to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. – Report to the Remuneration Committee any findings in relation to risk matters which may impact its decision on discretionary remuneration payments.
Internal Audit	– Approve the annual Internal Audit Plan and Charter and Internal Audit activities. – Review the effectiveness of the Internal Audit function. – Review all significant Internal Audit recommendations and oversee progress in addressing these.
External Audit	– Recommend to the Board the appointment, and determine the remuneration, of the external auditor, including reviewing the external auditor's effectiveness and independence. – Review and approve the external audit plan and the external auditor's control procedures. – Review the findings of the external audit and the external auditor's management letter and oversee management action to address the findings where necessary. – Approve and monitor the policies relating to the provision of non-audit services by the external auditor and the hiring of personnel from the external auditor. – Ensure that the tendering, selection and rotation of the external audit services contract are carried out in accordance with applicable law, regulation and best practice.

How the ARCom has discharged its roles and responsibilities during 2017

Financial reporting

Key accounting judgements and estimates

As part of the process for monitoring the integrity of the financial information contained in the interim and annual financial statements, the ARCom reviewed the key accounting policies, judgements and estimates adopted by management and confirmed that these were appropriate. The significant areas of judgement and estimation identified by the ARCom, in conjunction with management and the external auditor, are set out in the table on page 58.

Viability and going concern

The ARCom reviewed the viability statement (as set out on page 31) and the processes supporting the viability assessment. After significant discussion and having considered the Group's prospects, principal risks, forecast regulatory capital surplus and liquidity resources and requirements, the ARCom concluded that the three-year assessment period, in line with the Group's business planning horizon, continued to be appropriate and recommended the draft viability statement to the Board for approval.

The ARCom also reviewed the going concern disclosure (which is set out on page 110) and concluded that the Group and the Company had adequate resources to continue in operational existence for the foreseeable future and confirmed to the Board that it was appropriate for the Group's financial statements to be prepared on a going concern basis.

Fair, balanced and understandable assessment

At the request of the Board, the ARCom reviewed the interim and annual financial statements in conjunction with the narrative sections of the interim and annual reports to ensure that there was consistency in the information reported, that sufficient weight had been given to both positive and negative aspects of business performance, that there was an appropriate balance between statutory and adjusted performance measures, and that key messages had been presented coherently. The ARCom concluded that, taken as a whole, the interim and annual reports were fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's performance, business model and strategy.

Communications with the Financial Reporting Council (FRC)

As reported last year, the Company received a letter from the FRC in November 2016 which raised a number of questions around contingent consideration payments in relation to the Numeric, Silvermine and NewSmith acquisitions and the accounting treatment of Reservoir Trust assets. The Company responded to these queries and, in the first half of 2017, received a further letter from the FRC which confirmed that it had concluded its enquiries and that no changes to the key accounting judgements that supported the areas highlighted in the letter were required.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

Key accounting judgements and estimates

Matter considered	Action	Outcome
Accounting treatment of Aalto acquisition The accounting treatment of the purchase price of the Aalto acquisition required judgement to determine whether each component should be accounted for as purchase consideration (and therefore as goodwill and acquired intangibles on the balance sheet) or as a post-acquisition P&L remuneration cost. **Please refer to Note 10 in the Group financial statements for further details.**	The ARCom discussed and challenged management's assessment that all of the purchase price should be accounted for as consideration rather than remuneration in accordance with the indicators set out in IFRS 3.	After full discussion, the ARCom confirmed that it agreed with management's assessment that the full Aalto purchase price should be accounted for as purchase consideration.
Impairment assessment of goodwill and acquired intangibles Goodwill and acquired intangibles for each of the Group's cash generating units (Man AHL, Man GLG, Man FRM, Man Numeric and Man Global Private Markets) are tested for impairment at least annually through the application of a 'value in use' model. This requires estimates concerning future cash flows, growth rates and associated discount rates to be taken into account. **Please refer to Note 10 in the Group financial statements for further details.**	The ARCom considered reports from management outlining the methodology for the impairment assessment and challenged the assumptions underpinning the goodwill valuation model including discount rates, the change in cost allocation methodology, flow projections and headroom availability.	After debate and challenge, the ARCom concluded that no impairment expense was required to be recorded for the year ended 31 December 2017.
Fair value of contingent consideration The valuation of the contingent consideration is dependent on estimates concerning the projected future growth rates and cash flows based upon management's view of future business prospects and associated discount rates. **Please refer to Notes 15 and 25 in the Group financial statements for further details.**	The ARCom considered management's fair value assessment of the contingent consideration creditors of the Numeric, Aalto, Pine Grove, BAML, FRM, Silvermine and NewSmith earn-outs which projected an overall net increase in the fair value of the contingent consideration of $16m. The net increase was primarily attributable to higher than budgeted performance for Numeric and small movements in actuals versus forecast for Aalto, Pine Grove, BAML and FRM.	After a full discussion, the ARCom confirmed that it was comfortable with the proposed accounting treatment and that the net increase in the fair value of the contingent consideration was appropriate. A fair value adjustment of $16m has been recognised in the income statement.
Consolidation of investment in funds The Group holds seeding investments in a number of funds which it manages. Judgement is required to be exercised in terms of assessing whether these investments are controlled by the Group and therefore need to be consolidated into the Group's financial statements. **Please refer to Note 13 in the Group financial statements for further details.**	The ARCom reviewed management's assessment of the investments which the Group is deemed to control in accordance with IFRS 10.	The ARCom concluded that it was satisfied with management's assessment of the entities which are deemed to be controlled by the Group and the associated accounting treatment. Four funds have been classified as 'held for sale' and nine investments have been consolidated on a line by line basis with a grossing up impact on the balance sheet of $162m.
Deferred tax assets (DTA) The Group has unrecognised deferred tax assets in the US which largely represent historical tax losses and future deductions for amortisation of goodwill and other intangible assets that will reduce the tax payable in the US. The value of the DTA recognised requires judgement regarding the assessment of probable future profits. **Please refer to Note 7 in the Group financial statements for further details.**	The ARCom discussed the existing methodology underpinning the valuation of the DTA which uses a three year period to forecast profits. The ARCom also challenged management's assessment that this methodology continues to remain appropriate and represents their best estimate of probable future taxable profits.	The ARCom confirmed that it was satisfied that a three year period was the most appropriate basis upon which to forecast profits in accordance with the Group's business planning horizon and that the existing methodology continued to be appropriate. A movement in the DTA of $17m has been recognised in the income statement.
Alternative performance measures (APMs) Man assesses the performance of the Group using a variety of APMs, most significantly adjusted profit before tax. The directors focus on adjusted profit as this reflects the underlying trends in the business and the revenue and costs that drive the Group's cash flow. **Please refer to pages 147 to 150 for further details.**	The ARCom reviewed and discussed the APMs contained in the interim and annual reports having considered a paper prepared by management which compared adjusted profit to operating cash flows for the last five years in aggregate.	The ARCom noted that adjusted profit over the last five years was broadly consistent with cash inflows from operating activities and therefore concluded that the APMs were appropriate, provided a fair assessment of the underlying profitability of the business and were appropriately defined and reconciled to statutory measures as disclosed on pages 147 to 150.

Risk management, internal controls and compliance

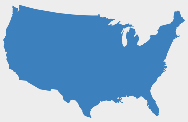
Oversight of risk and control environment – key business areas

The ARCom was keen to develop its understanding of the governance arrangements that exist within Man's overseas offices and the exercise of central oversight. As a result, the ARCom's forward agenda was revised with the in-depth risk reviews focusing on key overseas offices rather than the investment management businesses.

Senior representatives from the US and Japanese businesses were invited to present on the risk and control profile of their respective areas. These presentations provided the ARCom with real insight into the significant risks perceived by each business and the controls that exist to manage and mitigate these risks as appropriate. Key areas of discussion are set out below. The ARCom intends to continue its review of Man's overseas offices in the year ahead with further presentations scheduled throughout 2018.

Japan

The ARCom was provided with an overview of the opportunities and key objectives for the Japanese business and discussed the strategic relationship with Sumitomo Mitsui Trust Bank. The interaction between the Japanese office and Man Group's global functions was also considered, as was the role of the Board of Man Group Japan Limited (based in Guernsey) in overseeing the activities of its Japanese branch.



US

Discussion focused on the significant growth of the US business over the previous five years, particularly the increased Sales and Investment management presence in the region. The ARCom also discussed the challenges and risks associated with operating from multiple US locations and the extent to which such risks were mitigated through the centralisation of controls, processes and reporting lines.

The ARCom also received an update at its meeting in May on the actions taken by management to address the operational issues identified in Australia which I reported on last year.

Oversight of risk and control environment – key functional areas

The ARCom also considered presentations from each of the Group's key functional areas.

Risk

The ARCom received an update on the Group Risk function and discussed its role in supporting the Group's governance processes, primarily through the maintenance of the Group's Authorities Summary (please see page 49 for further details) and the operation of the Risk Governance and Appetite Framework (the 'Framework'). During the year, the ARCom considered a number of proposed changes to the Framework which had been developed to align the risk appetite process with other metrics and processes within the business. The ARCom endorsed the revised Framework and recommended it to the Board for approval. At its meeting in May, the ARCom spent considerable time discussing the process supporting the Group's ICAAP prior to its submission to the Board in July. ARCom members reviewed and challenged the economic modelling approach and assumptions as well as the model inputs and outputs.

Compliance

During the year, the Head of Compliance & Regulatory presented the 2017 Compliance overview. Particular focus was given to key developments in financial regulation including MiFID II and the Senior Managers and Certification Regime (SMCR) and their impact on the business and the industry in general. Consideration was also given to the increasing complexity within the financial crime environment and the use of technology to mitigate the associated risks. The ARCom also reviewed and discussed the Group's whistleblowing policy and processes and the steps that had been taken by the management team to improve awareness of the independent, confidential and external reporting service that was available to staff to raise concerns.

In addition, the Money Laundering and Reporting Officer (MLRO) presented his 2016 annual report in the first half of 2017 and confirmed that Man had established and maintained an effective AML/CTF programme with proportionate systems and controls. Updates were also provided during 2017 on the implementation of the Fourth EU Money Laundering Directive.

Finance

The ARCom received a presentation from the Group Financial Controller on the Finance function's governance arrangements and the key areas of focus during 2017 and 2018. Particular consideration was given to career development and training across the function, changes to the structure of the US finance teams and improvements to process efficiency including the planned implementation of a new general ledger and consolidation system in 2018. The ARCom also received a number of updates from the Head of Tax during the year on the new criminal offences in respect of the failure to prevent the facilitation of tax evasion that had been introduced by the UK Criminal Finances Act 2017 and the steps that had been taken by the Group to ensure that reasonable prevention procedures were in place across the business globally.

Operations and Technology

The Group's Chief Operating Officer updated the ARCom on changes impacting the risk and control environment of the Operations and Technology functions. Key areas of discussion included MiFID II, particularly research costs and best execution, the transition of Man's fund administration and agency business to an alternative service provider, the CASS (Client Assets) compliance framework and the selection of a leading order management platform to upgrade legacy technology solutions.

Ongoing monitoring of the Group's systems of risk management and internal control

The ARCom is satisfied that, through its regular review of dashboards, its in-depth assessment of key business areas and functions, its consideration of changes to the Risk Governance and Appetite Framework and its ongoing review of progress against the Internal Audit Plan (as described below), it is monitoring the effectiveness of the Group's systems of risk management and internal control on an ongoing basis. Further details can be found in the Risk Management section on page 32.

During the year, a number of operational and regulatory matters that had occurred were reported to the ARCom. A paper summarising these matters was considered by the ARCom at its December 2017 and February 2018 meetings. Whilst Man sought to improve its processes in response to the matters identified, they were not considered sufficiently material in number or nature either to require separate disclosure in the financial statements or to indicate that the control environment had not been operating effectively.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

Internal Audit

2018 Internal Audit Plan

The Group's Internal Audit function continues to be performed by KPMG. During the year, the ARCom reviewed and approved the 2018 Internal Audit Plan (the 'Plan') which included details of the planned audit reviews for 2018 and the team responsible for delivering the Plan.

The ARCom received and discussed Internal Audit reports presented by the Head of Internal Audit at each meeting and monitored progress against the 2017 Plan. Whilst no significant weaknesses were identified in any of the Internal Audit reports, a number of improvements to certain processes and controls were implemented in response to the recommendations put forward.

Effectiveness of Internal Audit function

A review of the effectiveness of the Internal Audit function was undertaken during the year which was facilitated internally. A questionnaire, which covered areas such as internal audit resourcing, delivery and reporting was circulated to and completed by key stakeholders. The output of the review indicated that, overall, the Internal Audit function continued to be effective. The audit planning process and the Head of Internal Audit's knowledge of Man's business and risk environment were identified as key areas of strength whilst it was suggested that further co-ordination with the external audit function would encourage increased efficiency. Respondents also indicated that they were keen to understand how Man's control environment compared to industry best practice and whether there were any areas where improvements could be made.

In response to this feedback, the Internal Audit function undertook an assessment of the maturity of Man Group's control environment across a number of thematic areas using the experience of the internal audit work performed and knowledge obtained across other organisations, the output of which was discussed by the ARCom.

External Audit

2017 external audit plan

At the October meeting, Deloitte's 2017 external audit plan was presented by David Barnes, who took over the role as the lead engagement partner during the year. The plan, which was discussed and approved by the ARCom, set out the proposed materiality threshold, the scope of the audit and the significant audit risks that had been identified.

Auditor independence and the provision of non-audit services

In order to safeguard the independence and objectivity of the external auditor, the ARCom is responsible for the development, implementation and monitoring of the Group's policies on the provision of non-audit services and the hiring of personnel from the external auditor. The ARCom reviewed and approved these policies during the year.

Summary of non-audit policy

In accordance with the non-audit services policy, any potential services to be provided by the external auditor, which are not excluded under the non-audit services policy but which have an expected value of $75,000 or more, must be approved by the ARCom in advance. The non-audit services fees in aggregate must not exceed 70% of the statutory audit fee, currently set at $1.4m. Further details can be found on the Company's website.

The table below shows the remuneration paid to Deloitte in 2016 and 2017.

	2017 $000	2016 $000
Fees payable to the external auditor for the audit of the Company and the consolidated financial statements	**456**	451
Other services:		
The audit of the Company's subsidiaries pursuant to legislation	**1,572**	1,529
Audit-related assurance services	**341**	308
All other services	**54**	54
Total auditor's remuneration	**2,423**	2,342

Following a formal assessment of the external auditor's independence and objectivity at its meeting in February 2018, the ARCom concluded that Deloitte continued to be independent and objective.

Effectiveness of external audit process

At the May 2017 meeting, the ARCom considered responses to a questionnaire which had been completed by ARCom members and various members of the management team in order to facilitate the ARCom's formal assessment of the effectiveness of the external audit process. The questionnaire focused on several components of the external audit process including the quality of the audit partner and team, planning and execution of the audit, communication with the ARCom and the external auditor's independence and objectivity.

The responses indicated that, overall, Deloitte was performing in line with expectations and that the quality of the audit team was a key area of strength. The output of the review also highlighted that certain areas that had been identified as requiring improvement in the previous year's assessment, particularly around the direct involvement of specialists and the extension of the controls-based approach, had been addressed in the 2016 audit. A number of areas, primarily around resourcing of subsidiary audits and further use of specialists, were identified as requiring further consideration and Deloitte's plans to address these issues were set out in the 2017 Audit Plan. After extensive discussion, the ARCom concluded that the external audit process in respect of the 2016 financial statements had been effective.

Reappointment of Deloitte as external auditor

Deloitte was appointed as the Group's external auditor in 2014, following a tender process led by the ARCom in 2013. In accordance with the Code and the Competition and Markets Authority's Order 2014 (the 'Order'), the Company will be required to put its external audit process out to tender again in 2023 at the latest with mandatory rotation of the external auditors required by 2033 pursuant to the EU Audit Regulation. The ARCom confirms that the Company has complied with the provisions of the Order for the financial year under review.

Following the ARCom's review of the effectiveness of the external audit process and its assessment of the external auditor's independence and objectivity, it has recommended the reappointment of Deloitte as the Group's external auditor to the Board for recommendation and approval by shareholders at the 2018 Annual General Meeting.

How the ARCom has assessed its effectiveness

Outlined in the table below are the three key areas that were identified in the ARCom's 2016 evaluation as requiring further consideration and development during 2017, together with progress that has been achieved in 2017.

2016 evaluation	2017 progress
Undertake in-depth reviews of new business areas as the Group continues to diversify	The forward agenda for 2017 was revised and the in-depth risk reviews focused on particular overseas locations (i.e. Japan and the US) rather than the investment management businesses. The in-depth reviews will be supplemented by more thematic reviews of specific risk areas during 2018.
Organise further targeted training on regulatory developments and key issues impacting the ARCom	Based on feedback from the ARCom, Board training sessions took place throughout 2017 covering key accounting updates, governance over IT matters, corporate governance and emerging regulation. Please refer to page 53 of the Corporate Governance report for further details.
Explore areas of best practice among other Audit Committees	Deloitte highlighted a number of areas of best practice among other audit committees and advised that representatives from the external audit team often attended agenda setting meetings. In response to this feedback, representatives from Deloitte now attend the ARCom's agenda setting meetings.

In December 2017, the ARCom conducted a further evaluation of its effectiveness, which was facilitated internally. Questionnaires, which covered topics such as composition, meeting effectiveness and engagement with the Internal Audit function and with Deloitte, were circulated to all ARCom members and regular attendees. The findings of the evaluation confirmed that the ARCom was operating effectively and responses indicated that meetings were well structured with an appropriate level of constructive challenge provided by all members. Areas identified for focus in 2018 included the introduction of thematic risk-focused reviews, streamlining the agenda for certain meetings and organising further training on areas identified by ARCom members.

Matthew Lester
Chairman, Audit and Risk Committee

NOMINATION COMMITTEE REPORT

The Committee's main work during 2017 was to continue to seek new non-executive directors who would be able to bring additional skills to the business and enhance the diversity of the Board.

The Committee also focused on senior management development and succession following the successful new top management structure introduced by Luke Ellis on his appointment as CEO in September 2016.

Following the streamlining of Committee membership at the end of 2016, the Committee was able to discuss and share views on possible non-executive candidates and agree any follow up steps both quickly and informally without the need for formal scheduled meetings. Progress on this search, on which I updated the Board at regular intervals during the year, is reported below.

As in previous years, the Committee continued its review of senior management development and succession plans within our biannual non-executive dinners. Luke Ellis joins us on these occasions to talk through his plans following which we have the opportunity for private discussion.

In December the Committee held a formal meeting at which it reviewed the proposed update of the Board diversity policy prior to its consideration and approval by the Board. The policy is discussed in more detail opposite and set out in full on page 64.

Membership and meeting attendance

Committee member	Formal meeting attendance
Ian Livingston (Chairman)	1/1
Richard Berliand	1/1
Matthew Lester	1/1

Phillip Colebatch was a member of the Committee from 1 January until 5 May 2017 but no formal meetings were held during this period.

Luke Ellis attends meetings by invitation of the Chairman.

Role

The Committee's primary role	– keep the Board's composition in terms of competency, skills, experience, background and diversity under regular review in response to changing business needs; – identify the particular competency and experience base required for a specific Board appointment and conduct the search and selection process; – recommend the appointment of new candidates to the Board and the renewal, where appropriate, of existing non-executive director appointments; and – review and challenge senior management development and succession plans.

The Committee's full terms of reference, which are reviewed by the Committee and submitted to the Board for approval on an annual basis, are available on the Company's website (www.man.com/corporate-governance).

Meetings in 2017

The Committee held one formal meeting during the year at which all members were present. In addition, as noted above, I had frequent calls and face to face conversations with my Committee colleagues to discuss progress on our NED search and consider the renewal of certain existing non-executive appointments. The Committee also met twice informally with the full non-executive team to discuss top management development and succession plans.

Further details of the business discussed during the year are given on the following pages.

Business during the year

New non-executive director search

We were pleased to welcome Kate Barker to the Board in April 2017 as recommended by the Committee and agreed by the Board at the end of 2016. Kate brings us strategic thinking, deep economic insight and a good understanding of financial markets from her broad ranging career as a top level business economist.

At the same time we continued our search for new non-executive directors to bring additional skills and experience to the Board. We recognised that we were unlikely to find the broad range of skills required – fund management expertise, international and particularly US exposure, legal and regulatory experience and financial technology and digital capability – in one person. We were also intent on identifying someone with the intellect, knowledge and personality to contribute to and enjoy working on our Board while seeking to enhance its diversity. In addition, it was important to avoid any candidate's potential industry conflict or time commitment to another role which might prejudice Man's interests.

With the support of The Zygos Partnership, an executive search firm which has no other connection with the Company, the Committee reviewed long lists of names and has interviewed a large number of potential candidates. The Committee believes that it has made good progress and expects to be able to recommend a preferred appointee to the Board in due course.

Renewal of existing non-executive director appointments

During the year, taking account of the progress of the new non-executive director search and the need for both the continuity and refreshing of the Board's capability and experience, the Committee considered the renewal of the appointments of Ms Shapiro and Mr Cryan as non-executive directors on the expiry of their second and first terms of office respectively. After full discussion and review, the Committee decided to recommend to the Board the renewal of Ms Shapiro's and Mr Cryan's appointments for a further one year and three years respectively.

Senior management development and succession

The Committee took advantage of the opportunity provided by our regular informal non-executive dinners held during the year for in depth review and discussion of development and succession planning for the top management roles below the Board. Luke Ellis joined these meetings to talk through his plans for the new Senior Management Executive Committee roles through which he runs the business. Details of the structure of the Senior Management Executive Committee are given on page 49.

Diversity

To reflect the importance of diversity in making new appointments to the Board and in senior management development and succession planning, the Committee reviewed and recommended to the Board an updated Board diversity policy. This explains the Board's understanding of the value and impact of diversity in its broadest sense and the measures, processes and inputs through which it seeks to increase diversity on the Board and influence and monitor its introduction and impact within the Company as a whole. The policy is fully aligned with Man's diversity and inclusion statement. Further details of our diversity and inclusion activities throughout the firm are given in the People and Culture section on pages 38 and 39.

2017 Committee evaluation

As noted on page 53, this year's Committee evaluation was conducted as part of the main Board evaluation. Questions relating to the Committee's progress against its agreed 2017 priorities and its operation during the year were included in a written assessment circulated by the Company Secretary. The responses were consolidated in an unattributed summary report and discussed on an individual basis by me with Committee members. The findings of the evaluation and priorities for 2018 arising from the written assessment and my discussions were reviewed and agreed by the Committee and Board and are set out below.

Assessment of progress against 2017 actions

	Progress made	Agreed 2018 actions
Increase Board diversity	The appointment of Kate Barker brought additional strategic thinking, economic insight and market knowledge to the Board.	In 2018 we shall continue to seek opportunities to increase diversity in its broadest sense to reflect the spread of the Company's business.
Bring additional direct experience of fund management, US exposure and regulatory/legal expertise to the Board	Reviewed and interviewed a large number of candidates.	Continue the search in 2018 and seek to fill additional gaps identified in financial technology and digital capability, recognising that we may need to recommend more than one appointment.
Review of senior management development and succession planning outside formal meetings	Good discussion with Luke Ellis of development and succession plans for the Senior Management Executive Committee roles.	In 2018 the intention is to extend this review to the next layer of management below Senior Management Executive Committee level.

Lord Livingston of Parkhead
Chairman

NOMINATION COMMITTEE REPORT CONTINUED

Board diversity policy

Overview

The Board embraces and seeks to promote diversity in its broadest sense, both in terms of its own composition and within Man's senior management and employee base as a whole. It sees diversity as the combination and interaction of people with different knowledge, skills, experience, backgrounds and outlooks and believes that this creates greater value and leads to better decision making and performance at all levels of the organisation. The Board is also aware of the focus on and voluntary targets proposed for building gender and ethnic diversity into FTSE company boards and senior management. While we do not believe that the adoption of a specific output target will on its own address the long standing gender diversity challenge within the financial services sector, we will continue to pursue, encourage and monitor progress on a number of processes, initiatives and measures which we believe will in the longer term collectively deliver the desired improvement in gender balance across the firm. Set out below are three main areas on which we are focusing in pursuing our policy objectives.

Board appointments

When seeking to make a new appointment, the Board will focus first on identifying an individual with the capability, expertise and experience which are required to discharge the specific role and will select the best candidate on that basis. Within this remit, it recognises and will pursue the added value to be derived from diversity, including gender and ethnic diversity. To support this objective, we adopt a formal approach to Board search which includes insisting on strong representation of under-represented groups on search firms' long and short lists and remaining conscious of any potential for bias in the interview and selection process. We will also consider and explore alternative routes to the supply of appropriate candidates.

Oversight of recruitment, development and inclusion

The Board continues to encourage and oversee the output from a wide range of recruitment and people development policies and initiatives led by the executive management which aim to grow the diversity of Man's talent pool, provide development opportunities for all and embed an inclusive culture. While we cannot lead such initiatives directly, our role is to monitor and challenge the impact they are having on the firm. As part of this oversight we review the level of gender diversity introduced through our summer internship and graduate programmes and women's progression over time through mentoring, retention and Returner initiatives. We also keep updated on Man's relationships with partners who can help source talent from more diverse backgrounds and under-represented groups and Man's sponsorship of events which encourage more diverse talent into financial careers.

In addition, a key role of the Nomination Committee is to monitor and discuss with the CEO the career development and succession plans for senior management across the firm, including the progress of any under-represented groups, and to promote the development of a strong and diverse pipeline of talent for future executive leadership and Board positions.

Review and reporting

The Board is committed to the development of diversity on the Board and among Man's employees. It will seek feedback on Board balance and any missing skills and experience in its annual Board evaluation and will keep the review and challenge of Man's people development, inclusion and diversity programmes firmly on the Board agenda. An account of the Board's activities and progress against its objectives in these areas will be given in the Annual Report each year.

Implementation of policy during 2017

Board appointments

Following discussion and recommendation by the Nomination Committee, the Board broadened its knowledge and experience base with the appointment of Kate Barker as a non-executive director with effect from 1 April. From her wide ranging career as a top level business economist, Kate brings good understanding of global economies and markets and a diverse outlook from her non-executive experience in different institutions and sectors.

Plans for 2018

The Nomination Committee will continue to seek additional non-executive skills and experience, including direct fund management expertise, US market exposure, regulatory and legal knowledge, and financial technology and digital capability. A broad search will be conducted across a range of sources to identify candidates who can bring these different perspectives to the business.

Oversight of recruitment, development and inclusion

A wide ranging overview of People and Culture presented to the Board by management included details of Man's current global inclusion and diversity statistics and progress on a wide range of supporting management initiatives. The Board noted and discussed the impact of the more diverse and collaborative culture created by the colocation in the London office of different investment management teams. It reviewed the broadening of recruitment channels, the extension of the women Returner programme and the wide range of Man's Diversity and Inclusion network activities. It received regular updates on specific people hires and promotions and led fuller discussions with Luke Ellis on development and succession planning for the Senior Management Executive Committee roles. The Board noted the diversity challenges highlighted in all these discussions and encouraged management to continue to seek and take advantage of opportunities to deliver further progress in this area.

Plans for 2018

As a follow up to its review of the Senior Manager Executive Committee roles, the Board will explore with Luke Ellis his development and succession plans for managers immediately below that level and will monitor and challenge progress made in increasing diversity within that key population.

Review and reporting

Feedback from the 2017 Nomination Committee and Board evaluations confirmed the positive progress made in diversifying the Board over the past year while identifying additional skills, expertise and perspectives which would strengthen it further. The Board noted the progress made on diversity awareness and development within the firm under Luke's leadership and reinforced the need for further Board and management focus on people development and the promotion of diversity through recruitment, talent management and succession during 2018.

Directors' Remuneration report contents

DIRECTORS' REMUNERATION REPORT

Implementing our new policy

“We believe our new policy addresses historical shareholder concerns and delivers a clear link between executive pay, company performance and shareholder experience

Richard Berliand
Chairman of the Remuneration Committee

Dear Shareholder,

On behalf of the Board, I am pleased to present the Directors' Remuneration report (DRR) for the year to 31 December 2017.

For ease of reference this report contains the following sections:
- a detailed index to help you find the sections you need (page 65);
- this Annual Statement (pages 66 to 69);
- the Remuneration 'at a glance' section, summarising how the policy has been implemented in 2017 and how it will operate in 2018 (pages 70 to 72);
- the Annual Report on Remuneration (pages 73 to 87); and
- the proposed Directors' Remuneration policy for 2018 onwards (pages 88 to 94).

We will be seeking approval for the 2017 DRR, the new Directors' Remuneration policy and the new Man Group plc share plans (the Long Term Incentive Plan and Deferred Share Plan) at the AGM in May 2018.

1. Chairman's annual statement

1.1 Introduction

During the past year, we have reviewed our Directors' Remuneration policy, which shareholders will be asked to approve at the AGM in May 2018. During that review, it has been my pleasure to speak to many of our shareholders, and their representative bodies, as we have consulted widely on the most appropriate approach for executive remuneration in our business. In proposing the new policy, under which the maximum variable opportunity is substantially reduced from the previous maximum, the Committee has sought to respond to concerns raised by the Company's shareholders.

More detail about both the new policy and the application of the current policy to the remuneration outcomes for 2017 is covered below and in the sections that follow. Before that, I thought it was important to provide some context about Man's business and strategy. This has been at the centre of our thinking in developing the new policy and we have, therefore, incorporated metrics that reflect:

i) critical inputs that drive both short and long term performance;
ii) key outputs that measure performance; and
iii) the alignment of shareholder experience with management remuneration.

Man's business today is pure asset management, providing a comprehensive and diverse suite of strategies. The complementary approaches of those strategies work collectively to deliver better solutions for our clients and diversify risk for our business. The Group's overall priority remains delivery of superior risk-adjusted performance for our clients which should result in their choosing to allocate further capital to the firm, driving improved profitability and value creation for our shareholders.

The combination of:

- net inflows, which reflects new client business; and
- our relative investment performance, which monitors whether our strategies are outperforming competitors,

is therefore critical to our overall growth and profit delivery.

Our total profitability in any given year will be impacted by the absolute performance we deliver, particularly in products eligible for performance fees. However, over the cycle, strong relative performance for our clients results in increased client demand and improved profitability.

Consequently, these metrics form the basis of the input measures we are proposing for the variable pay programmes in the new policy. In addition, we have increased the focus on output measures, including both Core Management Fee Profit Before Tax (PBT) and Core Total PBT, together with Earnings per Share. We have also introduced a new Relative TSR metric, to ensure that reward for management is more directly linked to the experience of shareholders. Further details showing how the proposed new policy links to our strategic KPIs are shown in section 1.3 below.

1.2 Our new remuneration policy for 2018

The Committee has developed the new policy with the aim of delivering better alignment to our business strategy, shareholder experience and best practice. We have also been cognisant of the need to address the legacy concerns raised by some shareholders. Consequently, for the new policy, the maximum variable pay opportunity has been reduced and we are proposing moving towards a structure in line with market norms. Variable pay will comprise an annual bonus, with significant deferral, together with a Long Term Incentive Plan, measured over a three-year performance period, with a subsequent two-year holding period. In combination with an increase in the shareholding requirements and a post-departure shareholding requirement, this will further improve alignment with shareholder interests. Wherever appropriate we have also moved the policy towards leading practice, for example in defining an absolute salary maximum for executive directors and reducing the maximum pension provision to align with the wider employee policy.

The Committee concluded the specifics of the proposed new policy after detailed consultation with our largest shareholders. During Autumn 2017, letters were sent to some thirty of our top shareholders, representing about 60% of our shareholder base, seeking their feedback on our proposed new remuneration policy. I am pleased to say that I met with the majority of those shareholders and we received feedback from shareholders representing more than 50% of our total investor base, together with the main shareholder representative bodies. Having carefully considered the feedback we received from shareholders, the Committee incorporated a number of changes into our proposal. Generally we received very positive feedback on the steps we had taken and it was recognised that the Committee had tried to balance a range of diverse shareholder views.

The key features of the new policy are summarised below:

- Executive directors' salaries will be capped at the CEO's current level of $1.1m for the duration of this policy period (i.e the three years commencing May 2018).
- The pension contribution available to executive directors will be capped at the same level as the maximum available under the employee policy, currently 14%, representing a reduction from the current maximum opportunity of 20% of salary.
- Shareholding requirements will increase to 300% and 200% of salary, from 200% and 100%, for the CEO and other executive directors, respectively. The requirement will be expected to be maintained for a period following departure from the Company.
- The maximum available under the annual bonus plan will be 250% of salary, compared with 300% in the current policy, and half will now be deferred into Man Group plc shares. Deferral will be allowed into a combination of shares and funds, with the latter only being available once an executive's shareholding requirement has been reached.
- A new forward-looking Long Term Incentive Plan (LTIP) will be introduced at a maximum of 350% of salary, to replace the Deferred Executive Incentive Plan (DEIP). Performance will be measured over three financial years with a subsequent holding period of two years for any vested shares.
- The current policy maximum variable pay of 767% of salary (reduced previously by the Committee from 825%, as approved in the current policy) has therefore been further reduced to 600%.
- The malus and clawback provisions have been reviewed and enhanced.

1.3 How the proposed policy links to our strategic KPIs

The performance metrics selected for use in the short and long term incentive arrangements in the new policy have been chosen to reflect Man Group's strategic priorities so that the link between strategy, performance and reward is clear.

Strategic Priority	Performance Measure	Bonus Weighting	LTIP Weighting	Aggregate Weighting[1]
Innovative Investment Strategies	Relative Investment Performance	–	25%	15%
Strong Client Relationships	Net Inflows Cumulative Net Inflows	30%	 10%	18%
Efficient and Effective Operations	Core Management Fee PBT $m Core Total PBT, $m	20% 20%	– –	17%
Returns to shareholders	Relative TSR Adjusted Management fee EPS growth % 3 year cumulative Core total EPS	– – –	25% 20% 20%	38%
	Strategic and Personal Objectives	30%	–	12%
	TOTAL			100%

1 Aggregate weighting shows the overall weighting when consolidated across both the bonus and LTIP opportunities; maximum bonus opportunity is 250% salary; maximum LTIP opportunity is 350% salary

DIRECTORS' REMUNERATION REPORT CONTINUED

The rationale for the selection of the appropriate metrics for the incentive programmes was a topic of extensive discussion during the shareholder consultation. In establishing the new metrics and weightings, the Committee has been mindful to ensure that management are incentivised to focus on those measures that they can influence to drive performance and deliver shareholder value.

Some shareholders wanted to understand why the metrics did not include a return measure (such as Return on Invested Capital (ROIC) or Return on Capital Employed (ROCE)). Asset management is a less capital-intensive business than many other industries. Furthermore, the Committee believes that the Company has developed a transparent track record for return of excess capital and that it would be wrong to use a metric that might encourage management to reduce capital levels inappropriately. It was felt that management fee EPS growth and cumulative EPS are more appropriate metrics.

There were also discussions about the elimination of EBITDA margin from the incentive arrangements. As many of you will be aware, Man's businesses have a range of different margin profiles and the Committee did not wish to incentivise delivery of a particular EBITDA margin percentage at Group level. This was because it could result in unintended consequences, with management potentially disincentivised to pursue lower margin, high value mandates which might dilute the overall margin percentage despite increasing overall profitability. We continue to monitor margin closely within each business but, at Group level, the metrics selected are focused on profitability, within which margin achievement is an important driver.

The introduction of the new relative TSR measure seems to have polarised views amongst our shareholders with some being strong critics, and others welcoming the introduction of a measure they regard as improving alignment between management and shareholder experience. On balance, we feel that a relative TSR measure, versus the FTSE 250, accounting for 15% of the overall incentive outcome, supports that alignment. The clear majority of the overall incentive outcome is dependent on metrics over which management has much more direct control.

1.4 Establishing the appropriate maximum variable opportunity

In developing the revised remuneration policy, one of the areas the Committee has spent considerable time on has been the determination of the appropriate incentive quantum for the executive team. We have substantially reduced the maximum incentive available, both in absolute and expected value terms. The reduction reflects a recognition by the Committee that, although many of our competitors who are unlisted or listed in the US market continue to pay significantly above this level, it is also important to recognise our broader listed environment and the increased pressure on pay quantum at the current time. That said, the Committee also feels that it is extremely important to ensure that the remuneration for our management team remains competitive and therefore considered the risks of being unable to attract the talent required. It was acknowledged by the Committee that the pool from which future talent could be sought might be limited (and unlikely to include unlisted or US listed competitors) which reinforces the need for excellent succession planning and continued focus on the development of talented individuals internally. On balance, it was felt appropriate to demonstrate our desire to respond to legacy shareholder concerns about quantum by finalising the maximum opportunity at 600% of salary (reduced from 825% approved in 2015). This also represents a real reduction in the expected value of variable pay, taking into account that the expected value of a "forward-looking" LTIP is inherently lower than the "performance on grant" model of the DEIP.

On a related matter, the Committee has also considered what proportion of the opportunity should vest at threshold performance. Under the short term incentive, threshold performance will result in 25% of the total opportunity of 250% of salary being achieved. For the new LTIP, the level of vesting at threshold will be 0% of the total opportunity of 350% of salary, meaning that directors will only start to receive any awards under this plan when threshold performance has been exceeded, representing a much tougher hurdle than in the majority of listed businesses. As a result, aggregate threshold performance under the combined variable pay programmes will deliver 10.4% of the total variable opportunity.

1.5 Review of performance in 2017

2017 has proved to be a year of exceptional performance for the Group. Record net inflows were delivered and we were delighted that they were both high in absolute terms and materially above wider industry experience, demonstrating the positive impact of our focus on client relationships. Investment performance was at a high level across the firm with strong absolute performance for clients and the majority of our strategies out-performing their peers. The combination of performance in these two key inputs has driven an outcome for Core Total PBT that is 126% ahead of prior year. This represents a significant rebound in the performance of Adjusted Management Fee EPS Growth, which has also benefited from ongoing focus on cost control and the reduced number of shares in issue following the return of capital to shareholders. The breadth of performance across the firm means that we have seen a significant increase in absolute performance fees, despite a lacklustre environment for trend-following strategies. We are pleased to see meaningful performance fee contributions from AHL, GLG and Numeric this year.

This excellent performance has been achieved despite the ongoing headwind from the run off of the structured product business and other non-core revenues. Our performance this year demonstrates the value of our strategy of diversifying the Group away from these legacy business lines, and the strong organic growth delivered in Man's core businesses. Given these legacy revenues are in contractual run off, following the financial crisis, the Committee believes it continues to be appropriate to set short term targets based on Man's core businesses.

Net management fee revenues from core activities have grown by 10%, and Core Total PBT (including performance fees) has grown by 126% with strong performance fees across the firm combining with the growth in Core Management Fee PBT to deliver an excellent overall result. The remuneration committee set a stretching maximum target of $168 million for Core Management Fee PBT in the short term annual bonus, requiring a year-on-year growth rate of 27%. We are pleased to have seen that very high target surpassed by growth of 35% on this measure in 2017.

In setting the target in the short term annual bonus for Core Total PBT (including performance fees) the Committee took into consideration the range of performance fee profitability over the cycle, and did not focus on growth from the depressed performance in 2016. The rebound in performance fees, with 2017 performance fees and gains on investments of $333 million, was 46% above the average of the preceding five years. The Committee considers this an excellent result given the weak performance environment in 2016, which resulted in various strategies entering the year well below high water marks. 2017 was also not a strong environment for trend following strategies, as seen by the performance of the BTOP 50. This good outcome was below the maximum target set by the Committee, reflecting the stretching nature of the overall target.

During 2017 Man's share price has increased by 71% (from 121.0p to 206.8p), a total dividend per share of 7.41p has been paid and we have returned c$92 million through share buyback programmes.

1.6 Variable remuneration outcomes for 2017
The Committee was very pleased with the performance delivered under the leadership of Luke Ellis, appointed as CEO in September 2016. In determining the remuneration outcomes the Committee has carefully considered shareholder experience during the period as well as taking account of feedback received during our consultation on the policy.

As a result, although the current policy would allow for the application of maximum awards under the short term bonus and DEIP at 300% and 467% of salary respectively, the Committee has based the outcomes on 250% and 350% respectively, in line with the maxima applied to the outcomes relating to performance in 2015 and 2016.

The exceptional performance in the quantitative metrics for the short term cash bonus resulted in a pay-out of 74.1%, out of a total of 75%. All three directors performed strongly on their personal qualitative objectives and received a range of awards, from 19% to 25% (out of a total of 25%) based on their individual delivery.

As set out in last year's report, the performance periods for the DEIP were different for each executive director, to ensure that they were only rewarded for performance to which they had contributed. The impact of the very strong performance in 2017 on the average performance over the periods contributed to quantitative outcomes of 44.1% and 30.4% (out of a total of 80%) for each of the two and three years periods, ending on 31 December 2017, for Luke Ellis and Jonathan Sorrell respectively. For the one year period over which Mark Jones was due to be measured the quantitative outcome was 64.6%. However, the Committee decided to apply its discretion to reduce this outcome to 44.1%, representing the quantitative performance over the two year period. The Committee considered this appropriate to recognise that, whilst Mark Jones was not CFO during that full period, he had started the transition into the role at the same time as Luke Ellis was appointed as CEO and this adjustment would mean both were measured over the same performance period. The Committee was pleased by the further progress that has been made on the Culture and Talent objectives that account for 20% of the overall DEIP outcomes; individual director contributions resulted in a range of awards, from 12.5% to 19% (out of a total of 20%) based on their individual delivery.

The table on page 73 summarises the remuneration outcomes for each of the executive directors for 2017 and the detailed outcomes for both the quantitative and qualitative metrics are set out in table R2 (for the bonus) and tables R3 to R6 (for the DEIP). Other than the adjustments set out above, the Committee did not consider it necessary to exercise any other discretion to adjust the formulaic outcome under either the bonus or DEIP.

No salary increase has been applied to the President or CEO but the Committee did review the salary of the CFO, Mark Jones, and decided to award an increase of 4.3%, taking his salary to $600,000 from January 2018. As we noted at the time of Mark's appointment, he was brought in at a significant discount to his predecessor, in recognition of this being his first appointment at this level; he has performed well and a modest increase was considered appropriate to recognise that performance. The new policy salary maximum of $1.1 million means that the salary of the CEO is frozen for the next three years; the salaries of the other Executive Directors will be kept under review.

1.7 Conclusion
I hope that you find the information in this letter, and the sections of the DRR that follow, to be clear and useful and I would welcome any feedback you may have.

In setting out our new policy, we have tried to address the concerns around some of our previous approaches to remuneration and the resultant tensions created with a minority of shareholders. We believe we have addressed all the major concerns and developed a policy, with the valued engagement and input from many of those shareholders, that delivers better alignment to our business strategy, shareholder experience and best practice.

I look forward to welcoming you at our AGM and receiving your support for our Remuneration policy, 2017 DRR and new share plans resolutions at that meeting.

Richard Berliand
Chairman of the Remuneration Committee

DIRECTORS' REMUNERATION REPORT CONTINUED

2. Remuneration at a glance

Key elements of the Directors' Remuneration policy, as it applies in 2017 and how it is intended to apply in 2018, subject to shareholder approval for the new policy and Man Group plc share plans at the AGM, are summarised below:

2.1 Directors' Remuneration policy

	Key elements	Current Policy 2017	Proposed new 2018 Policy
Fixed pay	**Salary** (annual base)	CEO $1.1m President $750k CFO $575k	Overall policy maximum of $1.1m will apply to all executive directors meaning no increase for the CEO over the life of the policy Salaries effective from 01/01/18: CEO $1.1m President $750k CFO $600k
Fixed pay	**Pension allowance**	Policy Maximum 20% salary Actual 14% salary	Policy Maximum 14% salary [1] Actual 14% salary
Fixed pay	**Benefits**	Includes family private medical insurance, life assurance and permanent health insurance	
Annual Bonus	**Maximum opportunity**	300% of salary	250% of salary
Annual Bonus	**Opportunity applied**	250% of salary	
Annual Bonus	**Operation**	Awarded as non-deferred cash KPIs: 75% financial, 25% strategic Malus and clawback apply	Awarded as a combination of cash (50%) and deferral (50%) into shares vesting in equal tranches in each of the following three years. Opportunity to defer up to half the deferred amount into funds, once the share ownership guidelines are met KPIs: 70% financial, 30% strategic and personal Enhanced malus and clawback apply
Long term Incentive	**Maximum opportunity**	467% of salary	350% of salary
Long term Incentive	**Opportunity applied**	350% of salary	
Long term Incentive	**Operation**	Deferred Executive Incentive Plan (DEIP): Grant based on a pre-grant three-year performance period, any shares awarded at year 3 vest equally in years 6, 7 and 8 Final award will be made in March 2018 KPIs: 80% financial, 20% culture and talent Malus and clawback apply	Man Group Long Term Incentive Plan (LTIP): Forward-looking three-year performance conditions with share grant at year 0, vesting year 3 with subsequent two-year holding period First grant will be made in March 2019 KPIs: 100% financial Enhanced malus and clawback apply
		Requirement	
Ownership	**Share ownership guidelines**	CEO 200% of salary Other EDs 100% of salary	CEO 300% of salary Other EDs 200% of salary 100% of the requirement to be retained for one year after leaving and at least 50% for the second year

Notes

1 The directors' maximum pension contribution is aligned to the maximum available to all employees, currently 14% of salary

2.2 Executive pay for 2017

The table below summarises the results of the key remuneration decisions taken during 2017

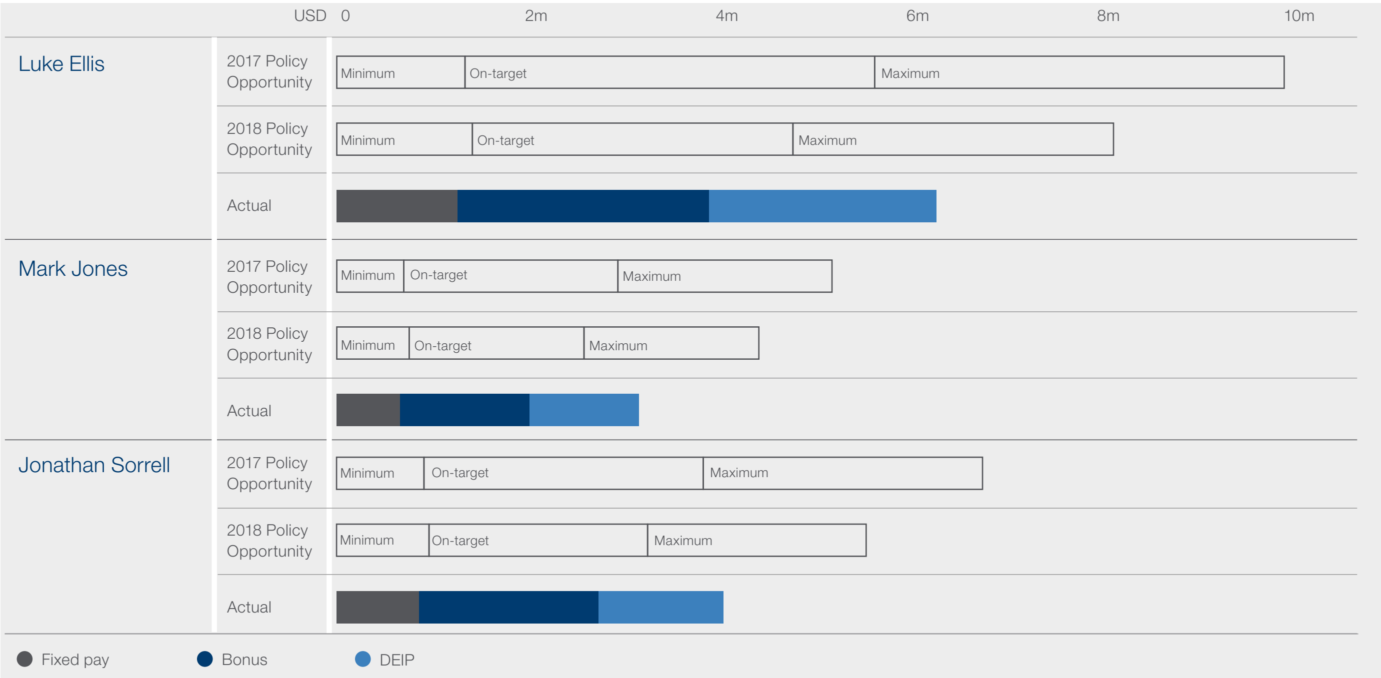
USD	CEO Luke Ellis	CFO Mark Jones	President Jonathan Sorrell
2017 salary	$1,100,000	$575,000	$750,000
2018 salary (from 01/01/18)	**$1,100,000**	**$600,000**	**$750,000**
Percentage salary increase from 2017	0%	4.3%	0%
2017 Bonus	**$2,601,500**	**$1,338,313**	**$1,858,125**
2017 Bonus as a percentage of 2017 salary	237%	233%	248%
Percentage change in bonus from 2016	96%[1]	–[2]	117%
2017 DEIP Award	**$2,371,600**	**$1,139,075**	**$1,296,750**
2017 DEIP as a percentage of 2017 salary	216%	198%	173%
Percentage change in DEIP from 2016	62%[1]	–[2]	14%
2017 Pension and Benefits	$142,104	$78,059	$96,753
2017 Total Remuneration	**$6,215,204**	**$3,130,447**	**$4,001,628**
Percentage change in total remuneration from 2016	54%[1]	–[2]	41%

1 Luke Ellis's 2016 bonus and DEIP awards have been annualised to provide a meaningful comparison with the current year; Luke Ellis was appointed as CEO on 1 September 2016 and his actual bonus and DEIP awards for 2016 were $441,834 and $488,950 respectively.

2 Mark Jones was appointed as CFO on 1 January 2017 so there is no prior year comparative.

2.3 Maximum total remuneration opportunity compared to actual remuneration received for 2017

The table below shows total remuneration received for 2017 for each executive director that served during the year, extracted from the Single Figure Table (R1, page 73) compared to the minimum, on-target and maximum total pay under the current and proposed new policy.



DIRECTORS' REMUNERATION REPORT CONTINUED

2.4 Executive director pay in the context of Man's employees

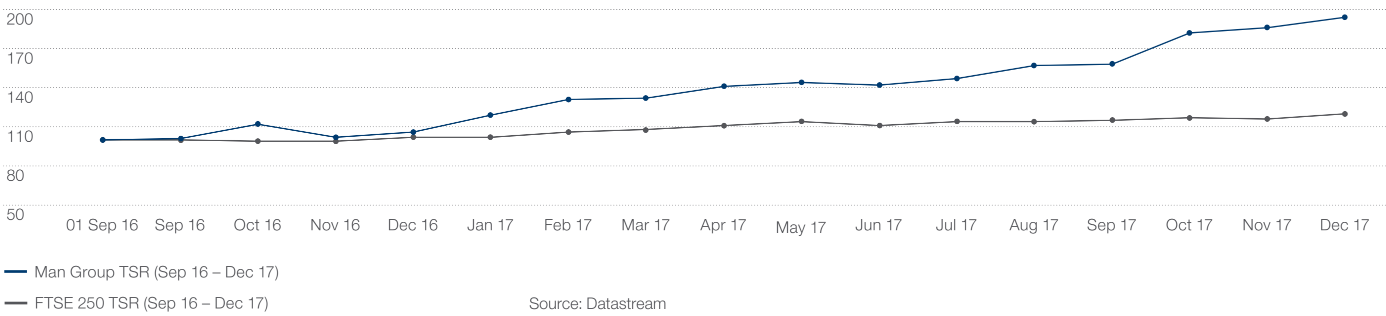
In determining the appropriate remuneration for the executive directors, the Committee carefully considered conditions for employees across the Group. A high calibre, motivated workforce, appropriately rewarded for their contributions, is a critical component of our success and the table below illustrates remuneration paid to the executive directors in the context of the wider workforce.

	2016	2017
CEO – Single total remuneration figure (SFT) ($000)	4,041[1]	6,215
Ratio of SFT to UK employees[2]	13:1	16:1
Compensation – all employees ($m)[3]	367	470
Compensation ratio[4]	48%	44%
Number of bonus-eligible employees	1,095	1,183
Mean annual bonus award per bonus-eligible employee ($000)	182	250
Median annual bonus award per bonus-eligible employee ($000)	31	40
CEO SFT as % of total compensation of all employees	1.1%	1.3%
Aggregate total SFT of all executive directors as % of total compensation of all employees[5]	1.9%	2.8%

1 Luke Ellis was appointed as CEO on 1 September 2016 so the single total figure for 2016 of $1,347k represents remuneration earned in the four month period since then; the equivalent annualised pay, shown here, is $4,041k which has been used for calculating the ratio to enable meaningful year-on-year comparison.
2 CEO ratio calculated by comparing the Single Figure Table (SFT) disclosure for the CEO to the average remuneration for all UK employees for 2017 on the same basis (i.e salary, benefits, pension and variable remuneration). Given the geographical spread of Man's employees, the ratio of CEO pay to all employees has also been monitored and is broadly in line with the ratio to UK-only employees disclosed here.
3 Compensation for all employees represents total fixed pay (salary, pension and benefits) and variable pay in respect of 2017.
4 Compensation ratio represents total compensation costs for all employees (fixed base salaries, benefits, variable bonus compensation and associated social security costs as a proportion of net revenue (gross management and other fees, performance fees, income or gains on investments and other financial instruments, and share of post-tax profits of associates, less distribution costs).
5 In 2016, there were two Executive Directors (CEO & CFO) whereas there were three executive directors in 2017 (CEO, CFO & President)

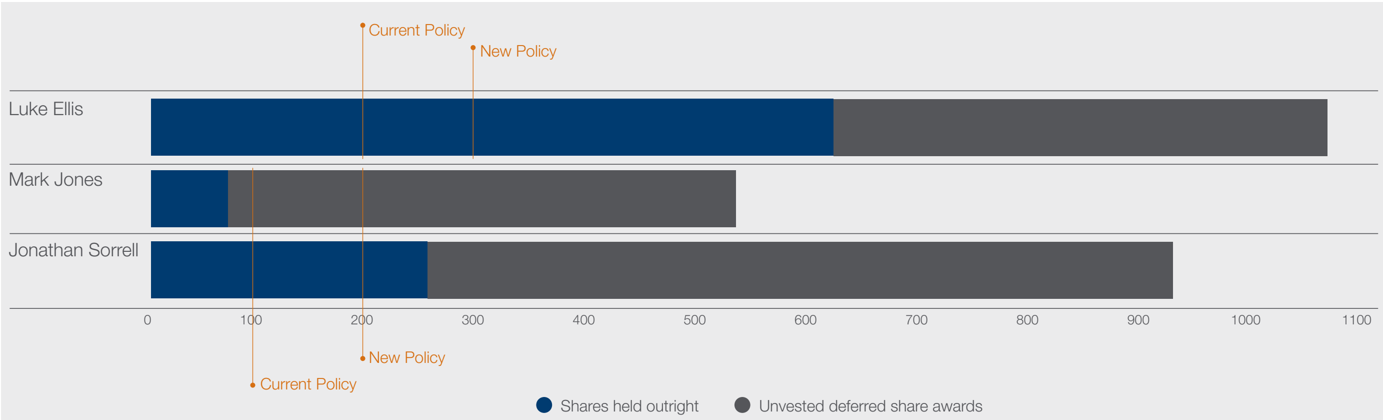
2.5 Executive director pay in the context of Man's shareholders

The chart below shows the total shareholder return (TSR) generated since Luke Ellis's appointment as CEO, compared to the FTSE 250, the peer group for the new Relative TSR measure in the Man Group Long Term Incentive Plan, which shareholders are being asked to approve at the 2018 AGM.



2.6 Executive directors' shareholdings

The chart below shows the shareholdings of each executive director compared to both the current policy requirement and the increased holdings required in the new policy. Mark Jones was appointed as CFO on 1 January 2017 and the Committee is pleased with the progress he has already made towards achieving his required shareholding. Both Luke Ellis and Jonathan Sorrell retain unencumbered Man shares valued in excess of the requirements representing good alignment with shareholder interests.



3. Remuneration outcomes in 2017

3.1 Single total figure of remuneration for executive directors

The table below sets out a single figure for the total remuneration received by each executive director for the year ended 31 December 2017 and the prior year.

SINGLE TOTAL FIGURE OF REMUNERATION FOR EXECUTIVE DIRECTORS (AUDITED) **TABLE R1**

	Executive Directors					
	Luke Ellis[1, 2]		Mark Jones[3]		Jonathan Sorrell	
All figures in USD	2017	2016 (4 months)	2017	2016	2017	2016
Salary	**1,100,000**	366,667	**575,000**	–	**750,000**	750,000
Taxable benefits[4]	**3,256**	1,095	**2,869**	–	**3,256**	3,286
Short term variable[5]	**2,601,500**	441,834	**1,338,313**	–	**1,858,125**	856,875
Long term variable[6]	**2,371,600**	488,950	**1,139,075**	–	**1,296,750**	1,136,625
Pension benefits[7]	**134,626**	48,080	**72,425**	–	**91,791**	93,006
Other[8]	**4,223**	596	**2,765**	–	**1,706**	1,787
Total	**6,215,205**	**1,347,222**	**3,130,447**	**–**	**4,001,628**	**2,841,579**

1 Luke Ellis was appointed to the Board and as CEO with effect from 1 September 2016. Remuneration for 2016, therefore, reflects four months' service only.
2 Luke Ellis is a director of Ferox Master Fund and Ferox Fund Limited. For 2016 and 2017, he received fees of $7,500 per annum in respect of these directorships. The figures in Table R1 do not include these fees.
3 Mark Jones became CFO on 1 January 2017. Accordingly, the remuneration that he received for the financial year ending 31 December 2016 has not been disclosed.
4 Taxable benefits include private medical insurance and gym membership subsidy.
5 See table R2 for details of the short term variable compensation.
6 Long term variable remuneration is subject to deferral under the Deferred Executive Incentive Plan. Please refer to Tables R3 to R6 for further information.
7 Pension benefits are paid into the Man Group Self-Invested Personal Pension with any contributions exceeding the annual or lifetime allowance paid as cash on a cost neutral basis to the Company.
8 "Other" includes non-taxable benefits (e.g. life insurance, Group income protection and fund fee rebate).

3.2 Short term annual bonus in respect of 2017 performance

The short term annual cash bonus is based on the Committee's assessment of executive directors' performance against objectives agreed by the Board at the beginning of the year, split 75% based on quantitative metrics and 25% on qualitative performance. The threshold, target and maximum ranges are considered to represent appropriately stretching levels of performance and are set by reference to internal budgets and strategic plans, industry backdrop and external expectations. The targets for Core Management Fee PBT and Core PBT (including performance fees) have been adjusted to exclude "non-core management fees" relating to discontinued business in order to ensure the directors are incentivised only using stretching targets for metrics over which they have direct control. 2017 has seen the Company deliver record net inflows and broad-based performance across the business, while maintaining discipline on cost control and capital returns. The combination of strong performance across these areas has resulted in exceptional growth in core profitability with Core Management Fee PBT increasing by 35% and performance fee profits coming in above their long term average despite a weak environment for the trend-following strategies that have historically driven Man's performance fee profits.

Table R2 shows the results of the Committee's assessment of the exceptional performance delivered in 2017.

DIRECTORS' REMUNERATION REPORT CONTINUED

SHORT TERM ANNUAL BONUS IN RESPECT OF 2017 (AUDITED) **TABLE R2**

Assessment Category	Measure	Weighting	2016 actual	Threshold (25% of max)	Target (50% of max)	Maximum (100% of max)	Outcome	% achieved	Bonus outcome, after weighting (% of maximum)
Sales & Financial Health	Increase in net flows	21.67%	2.4%	1.0%	3.5%	6.0%	15.8%	100%	21.7%
	Core management fee PBT	21.67%	$132m	$139m	$152m	$168m	$178m	100%	21.6%
	Core PBT (including performance fees)	21.67%	$159m	$214m	$257m	$368m	$359m	95.9%	20.8%
Investment performance	AHL: asset weighted performance vs BTOP 50	2.5%	2.5%	0.0%	1.0%	2.0%	9.8%	100%	2.5%
	GLG: asset weighted alternative composite vs HFRX sub-sector weighted index	2.5%	0.5%	0.0%	1.0%	2.0%	5.3%	100%	2.5%
	Numeric: asset weighted performance vs benchmark	2.5%	1.4%	0.0%	1.0%	2.0%	2.1%	100%	2.5%
	FRM: FRM Equity Alpha vs HFRI fund of funds conservative index	2.5%	–10.2%	0.0%	1.0%	2.0%	4.8%	100%	2.5%
TOTAL FINANCIAL METRICS		**75%**							**74.1%**
							CEO	**CFO**	**President**
Strategy, Structure and People		10%		Qualitative assessment (see below)			9.0%	8.0%	10.0%
Risk, Compliance and Reputation		10%		Qualitative assessment (see below) subject to achievement of two qualifying hurdles: – manage within VaR limit ($75m) – no material regulatory disclosure (both passed)			7.5%	7.5%	10.0%
External Stakeholder Engagement		5%		Qualitative assessment (see below)			4.0%	3.5%	5.0%
TOTAL NON-FINANCIAL METRICS		**25%**					**20.5%**	**19.0%**	**25.0%**
PERCENTAGE OF SHORT TERM ANNUAL BONUS AWARDED							**94.6%**	**93.1%**	**99.1%**
PERCENTAGE OF SALARY APPLIED (REDUCED FROM MAXIMUM 300%)							**250%**	**250%**	**250%**
ACTUAL AWARD AS A PERCENTAGE OF MAXIMUM OPPORTUNITY							**78.8%**	**77.6%**	**82.6%**
QUANTUM OF AWARD							**$2,601,500**	**$1,338,313**	**$1,858,125**

Assessment of performance against qualitative objectives

Category	Achievements: CEO	CFO	President
Strategy, Structure and People	– Active talent scouting has identified and brought in new fund teams that are performing well – Further progress on succession and development planning for senior roles, following re-structure in previous year – Co-location of all London-based teams has reinforced team cohesion supporting the "single point of contact" strategy for clients delivering record inflows in year	– 2017 fixed compensation and non-compensation costs delivered better than targets – Successful transition to new risk organisation and integration of GLG and AHL risk teams	– Successful integration of Aalto into the Group with existing clients increasing their allocations demonstrating their confidence in the process – New sales team and structure implemented with strong initial results – FRM leadership transition seamlessly executed
Risk, Compliance and Reputation	– Substantial focus on MiFID II preparations – Appointment of Chief Investment Officer	– Completion of ICAAP submission and no change in firm's capital requirement – Management of seed book supported range of new launches and remained within VaR limit	– New CRM system implemented within sales to ensure appropriate relationships are monitored and managed successfully – Integration of Aalto onto Man's systems and controls platform
External Stakeholder Engagement	– Personal focus on client relationships contributed to record FUM in the year – Careful media exposure has continued to build profile and enhance Man's reputation	– Full programme of meetings with existing and potential shareholders globally to communicate Man's equity story, positive engagement and feedback	– Engagement with largest clients globally, with Man adding material number of new strategic relationships during the year

3.3 Long term deferred bonus under the Deferred Executive Incentive Plan ('DEIP')

The long term deferred bonus plan awards are determined by an assessment against a balanced scorecard of performance criteria for each executive director, with 80% determined by financial criteria and 20% non-financial criteria. Tables R3 to R5 show the result of this assessment for the awards to be granted in 2018. For the financial metrics, performance is normally measured against Man's financial KPIs for each of the three preceding reporting years (2015, 2016 and 2017) and then averaged. Transition rules ensure that participants are only rewarded for performance to which they have contributed as an executive director. Performance was measured based on 2016 and 2017 only for Luke Ellis. The Committee considered the outcome for Mark Jones when measured only on performance delivered in 2017 and determined it was more appropriate to base the outcome on the two years ending 31 December 2017 to reflect his transition into the role of CFO from September 2016. Consequently, the percentage achieved under the financial KPIs was reduced from 64.6% to 44.1% (see below).

LONG TERM DEFERRED BONUS – ASSESSMENT OF ACHIEVEMENT UNDER FINANCIAL KPIS (AUDITED) – LUKE ELLIS **TABLE R3A**

	Performance targets[1]			Actual performance					
Measure	Threshold	Maximum		2016	**2017**	Average over 2 year performance period	Percentage of target achieved	Weighting	Bonus outcome, after weighting
1. Investment performance	n/a		AHL	√	√	√	75%	25%	18.8%
	Proportion of 4 investment managers having net performance > benchmark		GLG	×	√	√			
			FRM	×	√	×			
			Numeric	√	√	√			
2. Net flows	0%	10%		2.4%	**15.8%**	9.1%	91.0%	25%	22.8%
3. Adjusted management fee EBITDA margin	25%	40%		26.1%	**27.7%**	26.9%	12.7%	15%	1.9%
4. Adjusted management fee EPS growth	RPI + 0%	RPI + 20%		–14.3%	**15.9%**	0.8%	4.0%	15%	0.6%
Percentage achieved under financial KPIs (maximum of 80%)									44.1%

DIRECTORS' REMUNERATION REPORT CONTINUED

LONG TERM DEFERRED BONUS – ASSESSMENT OF ACHIEVEMENT UNDER FINANCIAL KPIS (AUDITED) – MARK JONES — TABLE R3B

Measure	Performance targets[1] Threshold	Maximum		Actual performance 2017	Percentage of target achieved	Weighting	Bonus outcome, after weighting
1. Investment performance[2]	n/a Proportion of 4 investment managers having net performance > benchmark		AHL GLG FRM Numeric	√ √ √ √	100%	25%	25%
2. Net flows	0%	10%		**15.8%**	100%	25%	25%
3. Adjusted management fee EBITDA margin	25%	40%		**27.7%**	18.0%	15%	2.7%
4. Adjusted management fee EPS growth	RPI + 0%	RPI + 20%		**15.9%**	79.5%	15%	11.9%
Percentage achieved under financial KPIs (maximum of 80%)							64.6%
Reduced Percentage based on two year performance (at Committee discretion)							44.1%[2]

LONG TERM DEFERRED BONUS – ASSESSMENT OF ACHIEVEMENT UNDER FINANCIAL KPIS (AUDITED) – JONATHAN SORRELL — TABLE R3C

Measure	Performance targets[1] Threshold	Maximum		Actual performance 2015	2016	2017	Average over 3 year performance period	Percentage of target achieved	Weighting	Bonus outcome, after weighting
1. Investment performance	n/a Proportion of 4 investment managers having net performance > benchmark		AHL GLG FRM Numeric	× √ √ √	√ × × √	√ √ √ √	× √ × √	50%	25%	12.5%
2. Net flows	0%	10%		0.4%	2.4%	**15.8%**	6.2%	62.0%	25%	15.5%
3. Adjusted management fee EBITDA margin	25%	40%		27.2%	26.1%	**27.7%**	27.0%	13.3%	15%	2.0%
4. Adjusted management fee EPS growth	RPI + 0%	RPI + 20%		-0.2%	-14.3%	**15.9%**	0.5%	2.5%	15%	0.4%
Percentage achieved under financial KPIs (maximum of 80%)										30.4%

1 To the extent the actual performance is between the threshold and maximum targets for net flows, adjusted management fee EBITDA margin and adjusted management fee EPS growth KPIs, the criteria is met proportionally.
2 The Committee considered the outcome for Mark Jones when measured only on performance delivered in 2017 and determined it was more appropriate to base the outcome on the two years ending 31 December 2017 to reflect his transition into the role of CFO from September 2016. Consequently, the percentage achieved under the financial KPIs was reduced from 64.6% to 44.1%.

Comments on 2017 performance against financial KPIs:

1. Investment performance

All four businesses beat their investment benchmarks in 2017, representing an exceptional result.

2. Net flows

2017 has seen record net inflows which are both high in absolute terms and materially above wider industry experience, demonstrating the positive impact of our focus on strong client relationships.

3. Adjusted management fee EBITDA margin

The improvement versus prior year is driven by organic growth and a lower compensation ratio.

4. Adjusted management fee EPS growth

There has been a very significant rebound in this critical KPI, representing the combination of strong investment performance, exceptional net inflows, continued focus on costs and the return of capital to shareholders.

LONG TERM DEFERRED BONUS – ASSESSMENT OF ACHIEVEMENT UNDER NON-FINANCIAL KPI (AUDITED) **TABLE R4**

	Luke Ellis	Mark Jones	Jonathan Sorrell
Culture and Talent – Percentage achieved under non-financial KPI (maximum of 20%)	17.5%	12.5%	19.0%

Over the last three years, remarkable progression has been achieved with a much improved culture, new acquisitions integrated and the Company being seen as a good place to work in an industry often driven largely by financial rewards. Since the appointment of Luke Ellis as CEO in September 2016 followed by Jonathan Sorrell's transition into the role of President and Mark Jones appointment as CFO, the Committee identified the following areas of particular progress which are creating firm foundations for future growth:

- Ongoing embedding of business principles supports effective dealings with all stakeholders including core focus on clients, meaning they now benefit from a single point of contact within Man's global sales team
- Several critical senior roles filled in 2017 via internal promotions including CEO & COO of FRM, and Co-CEOs & COO of AHL
- Global employee survey achieved an 83% response rate (up from 77% in 2015) and an encouraging overall staff engagement level of 7.5/10
- Significant progress has been made in Man's commitment to responsible investing (RI), building environmental, social and governance (ESG) factors into the investment decision making process with the appointment of a Head of RI and the creation of an RI committee
- Increased engagement with charity partners to provide volunteering opportunities for staff, a proven means of increasing motivation and retention
- Active diversity and inclusion agenda with events, talent programmes and partnerships enabling Man to broaden the diversity of Man's workforce

CEO

- Personally led firm succession planning process, initiated twice yearly planning sessions with senior leadership team to consider and/or develop successors for senior and/or critical roles across the firm, identify gaps and put appropriate measures in place. Man's ongoing ability to promote internally remains a material competitive strength; critical senior roles filled in 2017 via internal promotions include CEO & COO of FRM, and Co-CEOs and COO of AHL
- Introduction of employee recognition awards, designed to reward excellence throughout the firm and promote Man's principle of meritocracy

President

- Overseen material improvement in both effort and achievement in sourcing and recruiting sales people, with 15 new people joining during 2017 contributing to strong sales performance
- Ongoing sourcing effort for potential teams or businesses within private markets with over 100 potential opportunities identified and reviewed
- Implementation of training programme across sales focussed on core sales skills and deeper product knowledge

CFO

- Graduate programme extended into finance and operations to develop future generation of talent
- Increased integration across risk functions within the Company, and roll out of structured talent assessment across finance and risk

LONG TERM DEFERRED BONUS – AGGREGATE ACHIEVEMENT UNDER FINANCIAL AND NON-FINANCIAL KPIS (AUDITED) **TABLE R5**

	Luke Ellis	Mark Jones[1]	Jonathan Sorrell
Financial KPIs (out of 80%)	44.1%	44.1[1]%	30.4%
Non-financial KPI (out of 20%)	17.5%	12.5%	19.0%
Total percentage achieved	**61.6%**	**56.6%**	**49.4%**
Percentage of salary applied (reduced from maximum 467%[2])	350%	350%	350%
Actual award as a percentage of maximum opportunity	46.2%	42.4%	37.0%
Quantum of award	**$2,371,600**	**$1,139,075**	**$1,296,750**

1 The Committee considered the outcome for Mark Jones when measured only on performance delivered in 2017 and determined it was more appropriate to base the outcome on the two years ending 31 December 2017 to reflect his transition into the role of CFO from September 2016. Consequently, the percentage achieved under the financial KPIs was reduced from 64.6% to 44.1%.
2 The maximum opportunity approved by shareholders at the 2015 AGM was 525% of salary, for awards made in respect of performance in the period 2015 to 2017, with the potential opportunity increasing progressively to ensure the increase did not apply retrospectively. The Committee determined in 2017 that it will never use the 525% approved maximum and a revised maximum of 467% now applies.

SCHEME INTERESTS TO BE AWARDED UNDER THE DEFERRED EXECUTIVE INCENTIVE PLAN (DEIP) IN RELATION TO 2017 (AUDITED) **TABLE R6**

Executive director	Award (% of maximum opportunity[1])	Award value[2] (USD)	End of holding period date
Luke Ellis	46.2%	$2,371,600	Mar-23
Mark Jones	42.4%	$1,139,075	Mar-23
Jonathan Sorrell	37.0%	$1,296,750	Mar-23

1 The maximum opportunity approved by shareholders at the 2015 AGM was 525% of salary, for awards made in respect of performance in the period 2015 to 2017, with the potential opportunity increasing progressively to ensure the increase did not apply retrospectively. As disclosed last year, in 2017, the Committee determined that it will never use the 525% approved maximum and a revised maximum of 467% applies.
2 The awards to be made in 2018 in respect of the financial year ended 31 December 2017 are calculated according to performance against a balanced scorecard, as shown in Tables R3 to R5. The monetary value of these awards will be converted into a number of shares using the USD/GBP rates and mid-market share price quoted on the award date. The awards will be granted as conditional awards of shares and will vest three to five years after grant, subject to the DEIP rules. Details of awards made under the DEIP in relation to performance in periods ending in 2013 to 2016 can be found in Table R14.

DIRECTORS' REMUNERATION REPORT CONTINUED

All figures in $'000s

3.4 Percentage change in CEO remuneration

The table below sets out the percentage change in remuneration for the CEO and staff.

PERCENTAGE CHANGE IN CEO REMUNERATION **TABLE R7**

	CEO			All Staff
	All figures in $'000s			
	2017	2016[1]	% change	% change[2]
Salary	**1,100**	1,100	0	2[4]
Taxable benefits[3]	**3**	3	0	7[4]
Short term variable	**2,602**	1,326	96	38[5]

1 Figures for the CEO for 2016 are taken from the disclosure in Table R1 and then annualised for the full year in order to enable comparison.
2 Figures are calculated on a per capita basis.
3 Taxable benefits include private medical insurance and gym membership subsidy.
4 Represents the average increase in salary and taxable benefits in underlying currency in which each employee is paid.
5 For staff, short term variable remuneration includes both variable cash compensation and deferred awards relating to the current year.

3.5 Relative importance of spend on pay

The table below shows the year-on-year change in total employee expenditure compared to the change in shareholder distributions.

RELATIVE IMPORTANCE OF SPEND ON PAY **TABLE R8**

	2017 $m	2016 $m	% change
Total employee expenditure[1]	**474**	388	22
Shareholder distributions[2]	**250**	193	30

1 Remuneration paid to or receivable by all employees (i.e. accounting cost). Refer to Note 4 to the financial statements for further details. Total employee expenditure excludes restructuring costs.
2 Distributions to shareholders (dividends paid of $158 million and repurchase of shares of $35 million in 2016; dividends paid of $158m and repurchase of shares of $92m in 2017).

3.6 Review of past performance

The performance graphs below compare the Company's total shareholder return performance against the FTSE 350 Financial Services Index. The graphs cover both the required reporting period (Table R9a) and the three-year period ending December 2017 over which the DEIP is measured (Table R9b). Man Group operates in the alternative investment management sector and is listed on the FTSE 250 Index on the London Stock Exchange. The FTSE 350 Financial Services Index has been chosen as it is the most appropriate comparator to cover a period when Man has been in both the FTSE 100 and FTSE 250. The majority of Man Group's direct competitors are unlisted and equivalent information for these firms is not available.

TABLE R9a

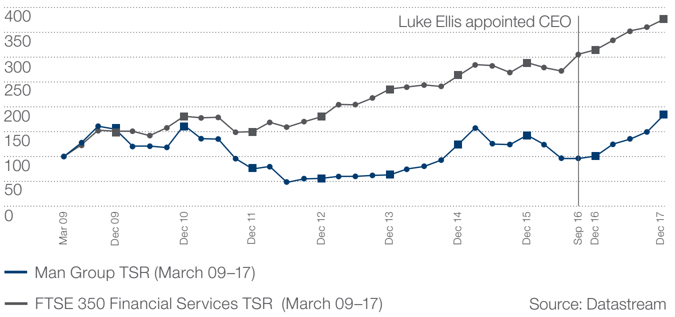
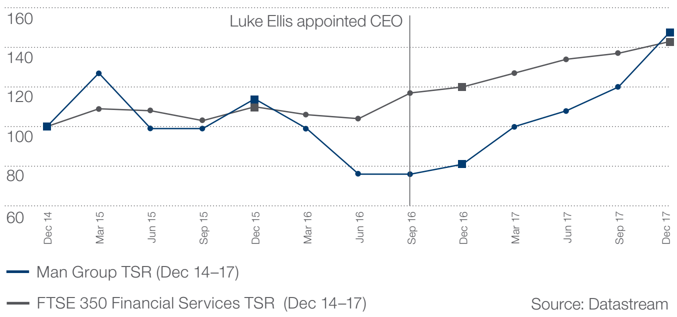


TABLE R9b



HISTORICAL CEO REMUNERATION — **TABLE R10**

Accounting period ended		31 March 2010	31 March 2011[1]	31 December 2011[2]	31 December 2012	31 December 2013	31 December 2014	31 December 2015	31 December 2016	**31 December 2017**
CEO single figure ($'000s)	L Ellis[3]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,347	6,215
	E Roman[3]	n/a	n/a	n/a	n/a	3,397	5,068	5,367	910	n/a
	P Clarke[3]	6,299	8,173	6,437	1,048	978	n/a	n/a	n/a	n/a
Short term variable award (as a percentage of maximum opportunity)[4]	L Ellis[3]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	40.2%	78.8%
	E Roman[3]	n/a	n/a	n/a	n/a	70%	100%	83.3%	n/a	n/a
	P Clarke[3]	n/a	n/a	n/a	n/a	0%	n/a	n/a	n/a	n/a
Long term variable award (as a percentage of maximum opportunity)[4]	L Ellis[3]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	28.6%	46.2%
	E Roman[3]	n/a	n/a	n/a	n/a	17%	40%	40.7%	n/a	n/a
	P Clarke[3]	n/a	n/a	n/a	n/a	0%	n/a	n/a	n/a	n/a

1 Salary and benefits are for 12 months and bonus for 9 months.
2 Salary and benefits are for 9 months and bonus for 12 months.
3 Peter Clarke stepped down as CEO with effect from 28 February 2013 and was on garden leave until his retirement on 10 December 2013. Emmanuel Roman became CEO on 28 February 2013 and stepped down on 31 August 2016. Luke Ellis was appointed CEO on 1 September 2016. Remuneration for 2016, therefore, reflects four months' service only.
4 For the accounting periods ended up to and including 31 December 2012, as there was no cap on the overall maximum bonus awards, the percentage of maximum opportunity is not shown.

3.7 Retirement benefits

Luke Ellis, Mark Jones and Jonathan Sorrell are not eligible for any defined benefits under the Man Group plc Pension Plan.

3.8 Single total figure of remuneration for non-executive directors

The table below sets out a single figure for the total remuneration received by each non-executive director for the year ended 31 December 2017 and the prior year.

SINGLE TOTAL FIGURE OF REMUNERATION FOR NON-EXECUTIVE DIRECTORS (AUDITED) — **TABLE R11**

	Fees		Taxable Benefits[5]		Total	
All figures in GBP	**2017**	2016	**2017**	2016	**2017**	2016
Lord Livingston of Parkhead[1]	**450,000**	325,038	**341**	739	**450,341**	325,777
Dame Katharine Barker	**56,250[2]**	–	**–**	–	**56,250**	–
Richard Berliand	**99,769[3]**	81,231[3]	**–**	–	**99,769**	81,231
Phillip Colebatch	**72,731[4]**	108,622	**2,986**	5,469	**75,717**	114,091
John Cryan	**65,000**	65,000	**–**	–	**65,000**	65,000
Andrew Horton	**80,000**	80,000	**–**	–	**80,000**	80,000
Matthew Lester	**95,000**	95,000	**–**	122	**95,000**	95,122
Dev Sanyal	**80,000**	80,000	**1,279**	1,002	**81,279**	81,002
Nina Shapiro	**75,000**	75,000	**18,248**	28,742	**93,248**	103,742

1 Lord Livingston of Parkhead was appointed to the Board and a member of the Audit and Risk Committee, Nomination Committee and Remuneration Committee on 1 January 2016. He was appointed as Chairman on 6 May 2016 following the Company's 2016 AGM, at which time he stood down as a member of the Audit and Risk Committee in order to comply with the provisions of the UK Corporate Governance Code.
2 Dame Katharine Barker was appointed to the Board on 1 April 2017. Her remuneration for 2017 has been pro-rated accordingly.
3 Richard Berliand was appointed to the Board on 19 January 2016 and as Chairman of the Remuneration Committee following the 2016 AGM. He was appointed as Senior Independent Director following the 2017 AGM. His remuneration for 2016 and 2017 has been pro-rated accordingly.
4 Phillip Colebatch retired from the Board on 30 September 2017. His remuneration for 2017 has been pro-rated accordingly.
5 Taxable benefits comprise travel expenses.

3.9 Payments for loss of office and payments to past directors (audited)

There were no payments made for loss of office or remuneration payments made to former executive directors during the year.

DIRECTORS' REMUNERATION REPORT CONTINUED

3.10 Directors' interests

DIRECTORS' INTERESTS IN SHARES OF MAN GROUP PLC (AUDITED) — **TABLE R12**

	Number of ordinary shares[1] 31 December 2017[2]	Number of ordinary shares[1] 31 December 2016
Executive directors		
Luke Ellis[3]	**2,419,391**	1,741,020
Mark Jones[4]	**142,602**	–
Jonathan Sorrell	**666,917**	598,729
Non-executive directors		
Lord Livingston of Parkhead	**33,138**	33,138
Dame Katharine Barker[5]	**40,910**	–
Richard Berliand	**50,000**	50,000
Phillip Colebatch[6]	**10,000**	10,000
John Cryan	**–**	–
Andrew Horton	**50,000**	50,000
Matthew Lester	**22,692**	22,692
Dev Sanyal	**74,292**	71,062
Nina Shapiro	**28,258**	28,258

1 All of the above interests are beneficial.
2 There has been no change in the directors' interests in the ordinary shares of Man Group plc from 31 December 2017 up to 27 February 2018, being the latest practicable date prior to the publication of this report.
3 Luke Ellis was appointed to the Board as CEO on 1 September 2016.
4 Mark Jones was appointed to the Board as CFO on 1 January 2017.
5 Dame Katharine Barker was appointed to the Board on 1 April 2017.
6 Shareholding as at 30 September 2017, the date at which Phillip Colebatch stepped down from the Board.

The market price of the Company's shares at the end of 31 December 2017 was 206.80 pence. The highest and lowest daily closing share prices during the 12-month financial period were 206.80 pence and 121.00 pence respectively.

EXECUTIVE DIRECTORS' SHAREHOLDINGS MEASURED AGAINST THEIR RESPECTIVE SHAREHOLDING REQUIREMENT AS AT 31 DECEMBER 2017 — **TABLE R13**

Executive directors	Shares owned outright[1]	Value of shareholding[2] (USD)	Annual Salary (USD)	Shareholding requirement as a % of salary	Current shareholding as a % of salary	Requirement met?
Luke Ellis	2,419,391	6,764,963	1,100,000	200%	615%	Yes
Mark Jones	142,602	398,736	575,000	100%	69%	No[3]
Jonathan Sorrell	666,917	1,864,795	750,000	100%	249%	Yes

1 Details of unvested share awards can be found in Tables R14 and R16.
2 Shareholdings valued at 31 December 2017 share price of £2.0680 and an exchange rate £1 = $1.3521.
3 Mark Jones became CFO on 1 January 2017 and will build up his shareholding progressively in line with the Directors' Remuneration policy

3.11 Directors' interests in shares and options under Man Group long term incentive plans

CONDITIONAL SHARE AWARDS UNDER THE DEFERRED EXECUTIVE INCENTIVE PLAN (DEIP) – SUBJECT TO SERVICE CONDITIONS (AUDITED) **TABLE R14**

Executive director	Date of grant	1 January 2017	Granted during year[1]	Dividends accruing[2]	Exercised during the period	31 December 2017	Exercise date
Luke Ellis							
	Mar-17[6]	—	271,992	12,390	—	284,382	—
Jonathan Sorrell							
	Mar-14[3]	255,855	—	7,770	85,284	178,341	Mar-17
	Mar-15[4]	335,595	—	15,288	—	350,883	—
	Mar-16[5]	585,525	—	26,676	—	612,201	—
	Mar-17[6]	—	632,281	28,809	—	661,090	—

1 The award values of $448,950 and $1,136,625 for Luke Ellis and Jonathan Sorrell respectively included in Table R8 in the DRR for the financial year ended 31 December 2016 were converted into the number of shares shown above using the GBP/USD rate of £1=$1.2171 and a share price of £1.4770, being the market value on the immediately preceding dealing day to grant. These awards attract dividend accruals. Further details of the Deferred Executive Incentive Plan can be found in section 3.3 of this DRR.
2 On 12 May 2017 dividend accruals of 6,045 and 38,317 shares were added to Luke Ellis and Jonathan Sorrell's awards respectively based on a Sterling dividend of 3.62 pence. On 6 September 2017, dividend accruals of 6,345 and 40,226 shares were added to Luke Ellis and Jonathan Sorrell's awards respectively based on a Sterling dividend of 3.79 pence.
3 Award vests in two equal instalments in March 2018 and March 2019.
4 Award vests in three equal instalments in March 2018, March 2019 and March 2020.
5 Award vests in three equal instalments in March 2019, March 2020 and March 2021.
6 Award vests in three equal instalments in March 2020, March 2021 and March 2022.

OPTIONS GRANTED UNDER THE MAN GROUP DEFERRED SHARE PLANS – NOT SUBJECT TO SERVICE CONDITIONS (AUDITED) **TABLE R15**

Executive director	Date of grant	1 January 2017	Exercised during period	31 December 2017	Option exercise price	Latest exercise date
Luke Ellis[1]						
	Deferred Share Plan (KEOP)					
	Nov-10	744,327	—	744,327	319.88p	Nov-20
	Mar-11	407,463	—	407,463	267.08p	Mar-21
Mark Jones[2]						
	Partner Deferred Share Plan (POP)					
	Mar-11	356,110	—	356,110	308.55p	Mar-21

1 Luke Ellis was granted KEOP options under the Deferred Share Plan prior to his appointment as a director. All options are vested.
2 Mark Jones was granted a POP option under the Partner Deferred Share Plan prior to this appointment as a director. All options are vested.

DIRECTORS' REMUNERATION REPORT CONTINUED

OPTIONS GRANTED UNDER THE MAN GROUP DEFERRED SHARE AND FUND PRODUCT PLANS – SUBJECT TO SERVICE CONDITIONS (AUDITED) **TABLE R16**

Executive director	Date of grant	1 January 2017	Granted during the year	Dividends accruing	Exercised during period	31 December 2017	Transfer/earliest exercise date	Latest exercise date
Luke Ellis[1]								
	Deferred Share Plan (DSP)							
	Mar-14	181,405	—	—	181,405	—	Mar-17	n/a
	Mar-15	142,227	—	—	142,227	—	Mar-17	n/a
	Mar-15	142,228	—	6,480	—	148,708	Mar-18	Mar-25
	Mar-15	383,540[2]	—	17,476	—	401,016	Mar-20	Mar-25
	Mar-16	157,211	—	—	157,211	—	Mar-17	n/a
	Mar-16	157,211	—	7,162	—	164,373	Mar-18	Mar-26
	Mar-16	157,213	—	7,162	—	164,375	Mar-19	Mar-26
	Mar-17	—	186,818	8,512	—	195,330	Mar-18	Mar-27
	Mar-17	—	186,818	8,512	—	195,330	Mar-19	Mar-27
	Mar-17	—	186,820	8,512	—	195,332	Mar-20	Mar-27
	Fund Product Plan (FPP)[3]							
	Mar-11[4]	276	—	—	276	—	Mar-17	n/a
	Mar-11[4]	276	—	—	276	—	Mar-17	n/a
	Mar-11[4]	277	—	—	277	—	Mar-17	n/a
	Mar-13	1,602	—	—	1,602	—	Mar-17	n/a
	Mar-13	1,602	—	—	1,602	—	Mar-17	n/a
	Mar-14	1,536	—	—	1,536	—	Mar-17	n/a
	Mar-14	1,536	—	—	1,536	—	Mar-17	n/a
	Mar-15	2,442	—	—	2,442	—	Mar-17	n/a
	Mar-15	2,442	—	—	2,442	—	Mar-17	n/a
	Mar-15	2,442	—	—	—	2,442	Mar-18	Mar-19
	Mar-16	149,447	—	—	—	149,447	Mar-17	Mar-20
	Mar-16	149,447	—	—	—	149,447	Mar-18	Mar-20
	Mar-16	149,447	—	—	—	149,447	Mar-19	Mar-20
Mark Jones[5]								
	Partner Deferred Share Plan (PDSP)							
	Mar-14	81,055	—	—	81,055	—	Mar-17	n/a
	Mar-15	14,321	—	—	14,321	—	Mar-17	n/a
	Mar-15	14,321	—	652	—	14,973	Mar-18	Mar-18
	Mar-15	383,540	—	17,476	—	401,016	Mar-20	Mar-20
	Mar-16	47,226	—	—	47,226	—	Mar-17	n/a
	Mar-16	47,226	—	2,151	—	49,377	Mar-18	Mar-18
	Mar-16	47,226	—	2,151	—	49,377	Mar-19	Mar-19
	Deferred Share Plan (DSP)							
	Mar-17	—	278,139	12,673	—	290,812	Mar-22	Mar-27
	Mar-17	—	43,476	1,980	—	45,456	Mar-18	Mar-27
	Mar-17	—	43,476	1,980	—	45,456	Mar-19	Mar-27
	Mar-17	—	43,476	1,980	—	45,456	Mar-20	Mar-27

OPTIONS GRANTED UNDER THE MAN GROUP DEFERRED SHARE AND FUND PRODUCT PLANS – SUBJECT TO SERVICE CONDITIONS (AUDITED) **TABLE R16**

Executive director	Date of grant	1 January 2017	Granted during the year	Dividends accruing	Exercised during period	31 December 2017	Transfer/earliest exercise date	Latest exercise date
Mark Jones[5] continued								
	Partner Fund Product Plan (PFPP)[3]							
	Mar-14	687	—	—	687	—	Mar-17	n/a
	Mar-15	226	—	—	226	—	Mar-17	n/a
	Mar-15	226	—	—	—	226	Mar-18	Mar-18
	Mar-16	896	—	—	896	—	Mar-17	n/a
	Mar-16	896	—	—	—	896	Mar-18	Mar-18
	Mar-16	896	—	—	—	896	Mar-19	Mar-19

1. Luke Ellis was granted nil-cost options under the Deferred Share Plan and Fund Product Plan schemes prior to his appointment as a director.
2. The dividend accrual was omitted from the opening balance of the 2016 DRR (Table R19). This has been corrected in the 2017 DRR.
3. Award granted over a number of fund units in various funds.
4. These fund awards were transmitted via Man Group plc shares on exercise. The exercise value of these awards was used to purchase 92,351 shares which Luke Ellis elected to retain.
5. Mark Jones was granted nil-cost options under the Deferred Share Plan and Fund Product Plan schemes as well as conditional awards under the Partner Deferred Share Plan and Partner Fund Product Plan prior to his appointment as a director.

OPTIONS GRANTED UNDER THE MAN GROUP SHARESAVE SCHEME (AUDITED) **TABLE R17**

					Number of options				
Executive director	Date of grant	1 January 2017	Granted during year	Exercised during period	Lapsed during year	31 December 2017	Option price	Earliest exercise date	Latest exercise date
Luke Ellis									
	Jun-11	7,561	—	—	7,561	—	204.0p	Aug-16	Jan-17
	Sep-14	16,833	—	—	—	16,833	90.0p	Oct-19	Mar-20
	Sep-17	—	11,363	—	—	11,363	132.0p	Oct-22	Mar-23
Jonathan Sorrell									
	Aug-12	23,076	—	23,076	—	—	65.0p	Oct-17	Mar-18
	Sep-14	16,833	—	—	—	16,833	90.0p	Oct-19	Mar-20
	Sep-17	—	11,363	—	—	11,363	132.0p	Oct-22	Mar-23
Mark Jones									
	Sep-17	—	13,636	—	—	13,636	132.0p	Oct-20	Mar-21

3.12 Shareholder voting and engagement

At the AGMs held on 8 May 2015 and 5 May 2017, votes cast by proxy and at the meetings in respect of directors' remuneration were as follows:

TABLE R18

Resolution	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld (abstentions)
Approve the annual report on remuneration (May 2017)	851,330,872	71.8%	335,157,811	28.2%	1,186,488,683	64,024,380
Approve the directors' remuneration policy (May 2015)	591,048,110	57.2%	442,929,218	42.8%	1,033,977,328	12,680,269

Details of the reasons behind the significant percentage of votes cast against these resolutions and actions taken by the Committee in response are provided in the Chairman's annual statement on pages 66 to 69.

DIRECTORS' REMUNERATION REPORT CONTINUED

4. Implementation of directors' remuneration policy for 2018

4.1 Base salary

Salaries are reviewed annually taking into account market benchmarks for executives of comparable status, responsibility and skill.

BASE SALARY OF EXECUTIVE DIRECTORS — **TABLE R19**

Base salary at	Luke Ellis	Jonathan Sorrell	Mark Jones
1 January 2017	$1,100,000	$750,000	$575,000
1 January 2018	$1,100,000	$750,000	$600,000

Subject to shareholder approval, the Committee will apply the new policy during 2018.

4.2 Short term annual bonus for 2018

The following table shows the performance metrics and weightings for the short term annual bonus in 2018

TABLE R20

Metrics	Weighting %
Net Inflows	30%
Core Management Fee PBT, $m	20%
Core Total PBT, $m	20%
Strategic and Personal	30%
Financial: Non-financial	70%:30%

The Remuneration Committee considers that the disclosure of detailed performance targets in advance for 2018 would be commercially sensitive and they are not, therefore, disclosed here. It is the intention of the Committee to disclose them in the DRR for the year ended 31 December 2018.

4.3 Long term incentive plan for 2018

Subject to shareholder approval, the first award under the new Man Group plc LTIP will be made in March 2019 and the Committee will, therefore, disclose the threshold to maximum ranges in the Directors' Remuneration report for 2018. No awards will be made under the new LTIP or the DEIP that reference performance in respect of 2018. The metrics and weightings which the Committee intends to use, from 2019, are as follows:

TABLE R21

Metrics	Weighting %
Relative Investment Performance	25%
Relative TSR vs FTSE 250	25%
Adjusted Management Fee EPS growth, %	20%
Three year Cumulative Adjusted Total EPS	20%
Cumulative Net Inflows	10%

4.4 Non-executive director remuneration policy for 2018

There has been no increase in fees for the Chairman since his appointment in 2016, nor any increase for the role since 2007. There had been no increase in non-executive directors' Board fees since 2009 and there have been increased demands associated with the role. The executive members of the Board agreed an increase to £70,000 in the Board fee with effect from 1 January 2018.

NON-EXECUTIVE DIRECTORS' FEES FOR 2018 — **TABLE R22**

Position (All figures in GBP)	**2018**	2017	% increase
Chairman of the Board	**450,000**	450,000	–
Board fee[1]	**70,000**	65,000	7.7
Senior Independent Director	**15,000**	15,000	–
Audit and Risk Committee chair	**30,000**	30,000	–
Other Audit and Risk Committee members	**15,000**	15,000	–
Remuneration Committee chair	**25,000**	25,000	–
Other Remuneration Committee members	**10,000**	10,000	–

1 Includes Nomination Committee membership where appropriate.

5. Remuneration Committee

5.1 Membership and attendance

The Committee met seven times during 2017 with attendance by members as indicated below. All members held office throughout the year subject to the exceptions shown. In addition, certain urgent proposals relating to the retention of awards by good leavers were circulated and agreed by email in between meetings.

TABLE R23

Committee member	Meetings attended
Richard Berliand (Chairman)	7/7
Dame Katharine Barker (appointed 1 April 2017)	5/5[1]
Phillip Colebatch (retired 30 September 2017)	5/5[2]
Lord Livingston of Parkhead	7/7
Nina Shapiro	7/7

1 Appointed to the Board and Committee on 1 April 2017 and attended all meetings thereafter.
2 Retired from the Board on 30 September 2017 and attended all meetings prior to that date.

Committee meetings are regularly attended by the CEO and, where appropriate, by the CFO at the invitation of the Chairman. The Committee is supported by the Senior Reward Executive, who routinely attends, as does the Head of HR. Other members of the Legal, Compliance and Executive Incentive Plans teams attend meetings when required to provide information and advice on remuneration, regulatory and executive incentive plan matters. The Company Secretary acts as Secretary to the Committee.

At the end of each meeting there is an opportunity for private discussion between Committee members without the presence of executive directors and management. No Committee member or attendee is present when matters relating to his or her own remuneration are discussed.

Roles and responsibilities

The Committee's principal responsibilities are to:

- Determine the Company's remuneration philosophy and the principles and structure of its remuneration policy, ensuring that these are aligned with business strategy, objectives, risk appetite and values, comply with all regulatory requirements and promote long term shareholder interests;
- Propose the specific remuneration policy for the executive directors, for approval by shareholders, and make remuneration decisions within that approved policy;
- Approve the total annual compensation for individual executive directors based on their achievement against objectives set by the Committee and Board at the start of the year for the short term annual bonus and at the start of the relevant performance period for the DEIP and, subject to approval of the new Directors' Remuneration policy, for the LTIP;
- Recommend to the Board the remuneration of the Chairman;
- Approve the total annual compensation for Executive Committee members and Remuneration Code staff;
- Review and consider shareholder feedback and agree the approach to any shareholder engagement.

Full terms of reference for the Committee, which are reviewed on an annual basis and submitted to the Board for approval, are available on the Company's website.

www.man.com/corporate-governance

5.2 Independent advisers

Following a formal tender process for ongoing professional advisory services, the Committee appointed PriceWaterhouseCoopers (PwC) as its independent advisers in July 2017 to replace Kepler, a brand of Mercer (Kepler). PwC provide the Committee with advice on a range of remuneration matters including the benchmarking of directors' compensation in the asset management sector, trends in market practice and regulatory disclosures. PwC also provide professional services in the ordinary course of business including tax and related advisory work to parts of the Group. There are processes in place to ensure the advice received by the Committee is independent of any support provided to management. The Committee is satisfied on this basis that PwC are able to serve as an objective and independent remuneration adviser. The total fees paid to Kepler and PwC in 2017 were £20,499 and £78,250 (ex. VAT) respectively on the basis of agreed fixed fees. The Committee also received legal advice from Herbert Smith Freehills LLP on compliance with legislation and regulations relating to remuneration matters.

DIRECTORS' REMUNERATION REPORT CONTINUED

5.3 Committee activities during 2017 and the early part of 2018

The summary below sets out the main issues considered and decisions made by the Committee in the period following the publication of the 2016 Directors' Remuneration report up to the current date.

Executive director compensation

- Reviewed the Directors' Remuneration policy ahead of its renewal at the AGM in 2018 and proposed a new simplified policy, on which extensive consultation with shareholders was undertaken.
- Established the threshold, target and maximum ranges to be achieved for the financial metrics and approved the objectives to be delivered under the non-financial component in the 2017 annual bonus.
- Assessed the 2017 performance of the CEO, CFO and President against the financial and non-financial metrics of the annual bonus, determined the salary multiple to be applied and the total cash sum payable.
- Reviewed the percentage of long term deferred share bonus earned under the quantitative metrics of the DEIP for 2017 and determined the percentage of bonus earned by the CEO, CFO and President under the Culture and Talent element.
- Determined the salary multiple to be applied under the DEIP for 2017 and the total value of the Deferred Bonus.
- Approved a salary increase for the CFO for 2018.
- To provide the business context for all the above reward decisions, reviewed the available benchmarking for the CEO, CFO and President roles within UK and US listed asset managers (please see section 5.5 for information on peer groups).

Shareholder engagement and reporting

- Reviewed shareholder voting and feedback on the 2017 AGM DRR resolution, noting the improved level of support and agreeing the appropriate response to address, in the renewal of the Directors' Remuneration policy, the outstanding concerns of the minority of shareholders who did not support the resolution.
- Continued the extensive shareholder engagement programme, already commenced in late 2016/ early 2017, to ensure shareholder views were fully understood in finalising the new Directors' Remuneration policy.
- Reviewed the 2017 Directors' Remuneration report taking account of best practice recommendations, institutional shareholder guidelines and the extensive investor feedback gained as part of the shareholder engagement programme.

Executive compensation below Board level

- Reviewed, challenged and approved the 2017 bonus pool proposed by management in relation to the Company's performance for the year.
- Approved bonus deferral policies for different groups of staff.
- Approved total compensation proposals for Executive Committee members, taking account of the CEO's appraisal of their individual performance for 2017 and their adherence to the Company's business values.
- Approved the total compensation for BIPRU and AIFMD Remuneration Code staff.
- Retained oversight of the total compensation for staff earning over $1 million, taking account of the CEO's appraisal of their performance for 2017 and reports from the Risk and Compliance functions on any related risk issues arising during the year.
- Approved a small number of downward risk adjustments to individual awards where behaviours were observed which fell below the standards required by Risk and Compliance.
- Reviewed the ratio of CEO pay to the average remuneration paid to other employees.

Financial regulation and governance

- Reviewed ongoing regulatory developments on remuneration and their implications for the Company's business.
- Reviewed the Company's FCA Remuneration Policy Statement and the Company's BIPRU, AIFMD and MiFID II Remuneration Policy.
- Approved updates to the list of BIPRU and AIFMD Remuneration Code staff.

5.4 2017 Committee evaluation

Following a mid-year review of the 2017 priority actions identified in the Committee's 2016 evaluation, the Chairman undertook at the year-end a full year evaluation of the operation and effectiveness of the Committee during 2017. The topics covered included progress on the priorities for 2017 and the conduct and outcomes of specific areas of Committee activity and focus during the year, including the support and advice available to the Committee.

In the evaluation feedback, the Committee recognised the contribution made by its new advisers since their appointment in July 2017 and the thorough process which had been undertaken to support the review of the new Directors' Remuneration policy. It had also welcomed the streamlining and rescheduling of Committee business and meetings. The following specific areas of focus were agreed for 2018:

- deliver the 2017 Directors' Remuneration report;
- continue the Committee's engagement with shareholders to deliver the new Directors' Remuneration policy and ensure its seamless implementation, subject to shareholder approval;
- review the compensation models below Board level; this area of focus previously agreed in 2017 had been deferred to allow the Committee to concentrate on developing the new Directors' Remuneration policy; and
- keep the remuneration advice and industry knowledge available to the Committee under review as a matter of ongoing good governance.

5.5 Benchmarking and peer groups

Benchmarking is one of a number of factors considered by the Committee in its deliberations on remuneration as it is important that the Committee understands the level of remuneration paid by Man's competitors for similar positions and which they may be offering in the market place.

Man variously uses three separate peer groups as detailed in the tables below. These are:
1. a group of asset managers and related businesses listed on the London Stock Exchange;
2. a group of similar businesses listed on the New York Stock Exchange or Nasdaq; and
3. businesses within the privately owned hedge fund industry.

All three of these sources are relevant.

UK LISTED PEER GROUP
- 3i
- Aberdeen Asset Management[1]
- Ashmore
- Close Brothers
- Henderson[2]
- TPICAP
- ICG
- Investec Asset Management
- Jupiter
- M&G (Prudential)
- Schroders

US LISTED PEER GROUP
- Affiliated Managers
- Apollo Investment
- Ares
- Artisan Partners
- Blackrock
- Blackstone
- Carlyle
- Eaton Vance
- Federated Investors
- Janus Capital[2]
- KKR
- Legg Mason
- Oaktree Capital
- Waddell & Reed

PRIVATE MANAGER PEER GROUP
- AKO
- AQR
- Arrowgrass
- Brevan Howard
- Bridgewater
- Capula
- Citadel
- Lansdowne Partners
- Marshall Wace
- Millennium
- Two Sigma
- Winton

Notes to peer companies
1 Following the merger of Aberdeen Asset Management and Standard Life on 14 August 2017, the peer group company to be used from 2018 onwards will be StandardLifeAberdeen
2 Following the merger of Henderson and Janus Capital on 30 May 2017, the peer group company to be used from 2018 onwards will be Janus Henderson

Many of Man's senior staff are geographically mobile, particularly between London and New York, and an explicit consideration of remuneration levels in both of these geographies is relevant. Man is one of the few listed companies anywhere in the world that operates in the hedge fund industry. The majority of businesses in this industry are privately owned and systematic remuneration data is not publicly available. Nevertheless, Man competes for talent against these businesses and staff move between Man and these private companies.

Man operates globally – witnessed in the geographic footprint of its operations, the spread of its client base and in the breadth of assets it manages. It also creates and distributes a wide range of products: hedge funds, long only funds and quantitative funds. None of the companies referred to above have these same characteristics and, although some of them are larger than Man, the Committee believes that, while they are broadly comparable, Man tends to be more diverse geographically and have a wider range of fund strategies. However, these groups share some of Man's characteristics and, in some cases, information regarding the remuneration of directors is publicly available.

The privately owned hedge fund market is made up of a large number of participants, some of them small and single product and others very large. As noted earlier, little information is available publicly on the compensation quantum and structures in these businesses. The senior management of those few hedge fund companies which are publicly listed are generally the founders of the original private company who retained very significant shareholdings at the time of listing. Man endeavours to make up this gap in publicly available data by reviewing available information on privately owned peers, some of whom are listed in the table above. Man has also obtained direct information about remuneration in those privately held companies that Man has acquired.

Interpreting peer group data and benchmarking involves a number of complexities and the Committee looks at this data to provide important market context for its decisions.

Unless otherwise stated, all information in the Directors' Remuneration report is unaudited.

For and on behalf of the Board

Richard Berliand
Chairman of the Remuneration Committee
28 February 2018

DIRECTORS' REMUNERATION REPORT CONTINUED

6. Directors' remuneration policy

6.1 Executive directors' remuneration policy

Aligning the interests of the executive directors with those of shareholders and with Man Group's strategic goals is central to Man Group's remuneration policy. During 2017, the Directors' Remuneration policy has been reviewed and the proposed changes, including a significant reduction in the variable pay opportunity, discussed during detailed consultations with the Company's largest shareholders and their main representative bodies.

The principal changes proposed are:

- Introduction of significant deferral into Man Group plc shares (and funds, once the increased shareholding requirement has been met) from the annual bonus, to ensure even greater alignment with shareholders; the bonus opportunity has been reduced to 250% of salary.
- Introduction of a forward-looking performance share plan (the Man Group plc Long Term Incentive Plan) with a range of financial metrics to be measured over a three-year performance period, with a subsequent two-year holding period; this is also intended to ensure even greater alignment with shareholders. The maximum award is 350% of salary compared to a maximum of 467% (previously reduced by the Committee from 525%) for the DEIP.
- An increase in shareholding requirements to 300% of salary for the CEO (from 200%) and 200% of salary for other executive directors (from 100%), again to ensure greater alignment with shareholders. On leaving the Man Group Board, directors will be expected to retain a shareholding for two years, with 100% retained for the first year and at least 50% for a further year.
- An absolute cap on an executive director's salary of $1.1m demonstrating the Committee's commitment to respond proactively to previous shareholder concerns about lack of transparency on base salary intentions.
- A reduction in the pension provision available as a percentage of salary, from 20%, to align executive directors' opportunity with the maximum available under the employee policy, currently 14%.
- Enhanced malus and clawback provisions to ensure appropriate safeguards are in place to protect the interests of the Company and shareholders.

In line with shareholders' interests being managed within a robust governance framework, the Company continues to aim to retain and incentivise high calibre executive directors; it will do this by paying competitive base salary and benefits, together with a short term annual bonus, with significant deferral, and a long term incentive plan collectively linked to a range of financial and non-financial metrics to deliver the Company's strategy and ensure alignment with shareholder interests.

This section of the report sets out the new Remuneration policy for executive and non-executive directors which will be put to shareholders for approval and, if approved, be effective from the conclusion of the 2018 AGM on 11 May 2018.

EXECUTIVE DIRECTORS' REMUNERATION POLICY — **TABLE R24**

Function	Operation	Opportunity	Performance metrics
Base salary Based on experience and individual contribution to leadership and Company strategy	Salaries are reviewed annually taking into account market ranges for executives of comparable status, responsibility and skill in companies of similar size and complexity to Man with consideration also given to sector relevance.	The maximum salary for an executive director is $1.1m for the duration of this Remuneration policy. In reviewing salaries the Remuneration Committee takes into account individual and company performance, salary increases below Board level, time since the last increase, market practice and total compensation opportunity.	None.
Pension To provide an opportunity for executives to build up income on retirement	Group Personal Pension (GPP), or a similar contribution to an alternative arrangement is provided. For those exceeding HM Revenue & Customs pension allowances, cash allowances are provided at no additional cost to Man.	The maximum employer contribution for executive directors is aligned with the maximum available under the wider employee policy, currently 14% of pensionable base salary.	None.
Benefits To provide non-cash benefits which are competitive in the market in which the executive is employed	Benefits include family private medical insurance, life assurance, permanent health insurance and gym membership subsidy. Flexible benefits can be purchased from base salary. Other ad-hoc benefits such as relocation can be offered, depending on personal circumstances.	It is not anticipated that the total taxable benefits for any executive director will normally exceed 10% of salary.	None.

EXECUTIVE DIRECTORS' REMUNERATION POLICY **TABLE R24**

Function	Operation	Opportunity	Performance metrics
Sharesave To encourage UK-based employees to own Man Group shares	The Man Group Sharesave Scheme is an all-employee plan. The executive directors who participate in the Sharesave Scheme are granted options over Man shares and make monthly savings from their post-tax salary. Options are granted at a 20% discount to market price on the date of grant.	Savings capped at HM Revenue & Customs limits.	None.
Annual Bonus To incentivise and reward strong performance against annual financial and non-financial targets Deferral of a significant proportion of the bonus into shares is designed to align executives' interests with those of shareholders over the long term	Performance measures and stretching targets are set at the start of the year. At the end of the year, the Remuneration Committee considers the extent to which these have been achieved and sets the award level, taking into account the overall performance context and experience of shareholders. 50% of any bonus is delivered upfront in cash and 50% is delivered in shares (or fund awards where the executive director has met the minimum shareholding requirement) deferred for up to three years, released on the first, second and third anniversary of grant in three equal tranches. The Committee may award dividend equivalents on deferred shares in respect of dividends declared during the deferral period. Malus and clawback provisions apply in certain specified circumstances, further details of which are provided below.	The maximum award is 250% of salary. Threshold performance is 25% of the maximum	The bonus is based on the Remuneration Committee's assessment of executive directors' performance over a financial year against objectives, which are based at least 70% on financial measures which may include, but are not limited to, measures of funds under management, revenue, profit and cash and up to 30% based on individual contribution and medium term strategic goals. Details of the measures and weightings applicable for the year ending 31 December 2018 are on page 84. Details of the targets will be disclosed retrospectively in next year's annual report on remuneration, when they are no longer deemed commercially sensitive by the Board. The Committee retains the discretion to adjust the bonus if it considers that the formulaic outcome does not reflect underlying business performance.
Long Term Incentive Plan To engage and motivate executive directors to deliver on KPIs which support implementation of the Company's strategy in order to deliver superior long term returns to shareholders	An annual award of Man Group plc shares, subject to performance conditions over a period of at least three years. An additional holding period of at least two years will apply following vesting. Notional dividends accrue on performance share awards to the extent that the performance conditions are met, delivered as shares or cash at the discretion of the Remuneration Committee at the same time as the delivery of vested shares. Malus and clawback provisions apply in certain specified circumstances, further details of which are provided below.	The maximum annual grant is 350% of salary. Threshold performance results in 0% vesting, rising to 100% vesting for maximum performance.	The vesting of awards is linked to a range of measures which may include, but is not limited to: – A measure of investment performance – A profitability measure – A growth measure (e.g. management fee EPS and/or increase in net flows) and – A relative performance measure (e.g. TSR) Weightings may vary year-on-year with no individual metric accounting for less than 10% or more than 50% of the overall outcome. Details of the measures for the awards to be made in March 2019 are set out on page 84. The Remuneration Committee has discretion to amend the performance conditions, in exceptional circumstances, if it considers it appropriate to do so, e.g. in the event of accounting changes, M&A activities and disposals. Any such amendments would be fully explained and disclosed in the next year's annual report on remuneration. It has discretion to adjust the extent to which an award shall vest if appropriate to reflect the broader financial performance of the Group.

DIRECTORS' REMUNERATION REPORT CONTINUED

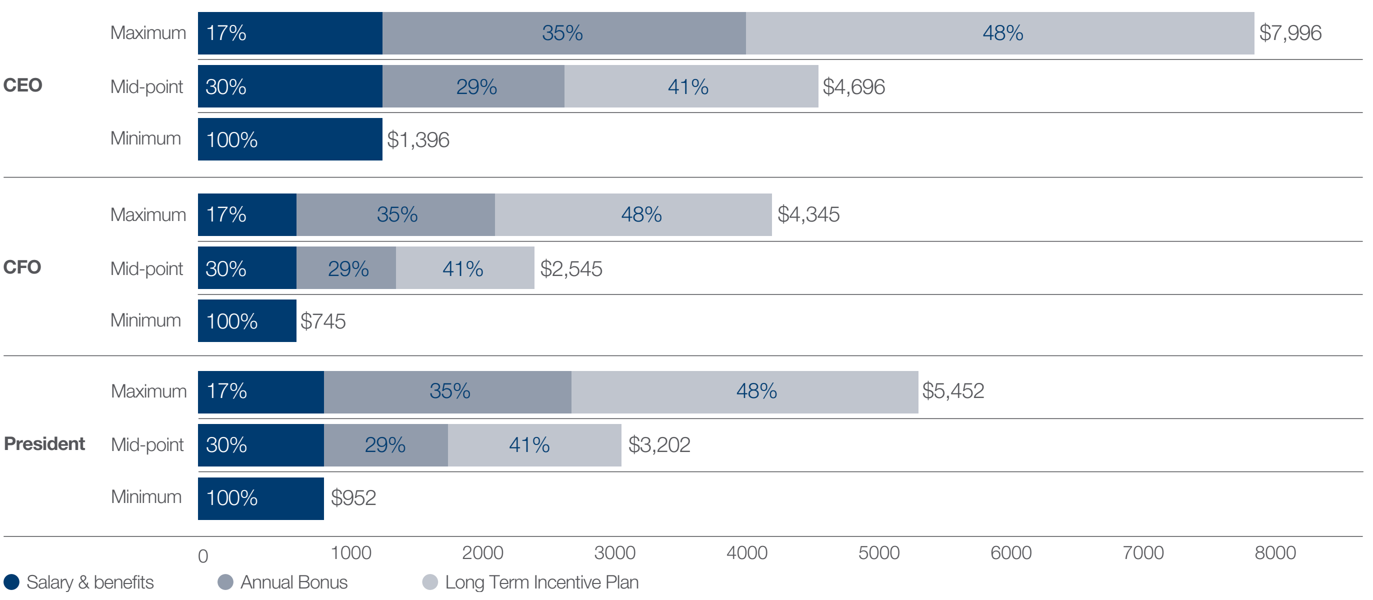
EXECUTIVE DIRECTORS' REMUNERATION POLICY — **TABLE R24**

Function	Operation	Opportunity	Performance metrics
Shareholding requirements	In order to align the interests of executive directors and shareholders, Man Group requires its executive directors to maintain a percentage of salary in Man Group shares.	The Chief Executive Officer is required to maintain a shareholding of 300% of base salary. Other executive directors are required to maintain a shareholding of 200% of base salary.	Executive directors are required to build up this shareholding progressively. Incumbents will build up to the prescribed shareholdings with vested shares where not already at or above this level. The full requirement must be retained for one year after departure from Man and at least half of it for the second year.
Malus and Clawback	The Committee may apply malus and/or clawback to variable pay in certain specified circumstances including: misconduct, material misstatement of financial results affecting the assessment of a performance condition, or where there has been an error or inaccuracy relating to the determination of variable pay. In addition, it can apply malus if the director fails to meet the required standards of fitness and propriety, the director participates in or was responsible or accountable for a material failure of risk management, or the director has caused or contributed to a material extent to censure by any regulatory authority or a significant detrimental impact on the Company's reputation.		

Notes to the policy table:
In implementing the above remuneration policy, the Remuneration Committee shall have regard to all relevant legal and regulatory requirements, including the principles and provisions of the UK Corporate Governance Code, the UKLA Listing Rules, the Financial Conduct Authority Remuneration Codes and to leading investor representative body guidelines.
Any commitments made prior to, but due to be fulfilled after, the approval and implementation of the revised remuneration policy approved by shareholders (including under the previously approved policy) will be honoured. In addition to the elements of remuneration detailed in the policy table, the Remuneration Committee may consider it appropriate to grant an award under a different structure in order to facilitate the recruitment of an individual, exercising the discretion available under the UKLA Listing Rules (see details in the paragraph 'Approach to recruitment remuneration').
Where employees hold units in funds managed by the Group, the fund may rebate fees to the employee.

6.2 Illustrative pay for performance scenarios

The chart below provides an illustration of some of the potential reward opportunities for executive directors in respect of the first year of the new Directors' Remuneration Policy showing the potential split between the different elements of remuneration under three different performance scenarios: 'minimum', 'mid-point' and 'maximum'.



Assumptions used:
- The 'minimum' scenario reflects base salary, pension and benefits as disclosed in the single figure of total remuneration (i.e. fixed remuneration) which are the only elements of the executive directors' remuneration packages not linked to performance during the year under review.
- The 'mid-point' scenario reflects fixed remuneration as above, plus a target pay-out of 50% of the maximum annual bonus and 50% vesting for the LTIP.
- The 'maximum' scenario reflects fixed remuneration as above, plus full pay-out of the both the annual bonus and LTIP.
- The illustrations are based on initial award value and do not, therefore, reflect potential share price appreciation or any dividend equivalent received over the vesting/deferral periods.
- Annual bonus includes both the cash bonus and the amount of the bonus deferred.

6.3 Performance measures selection and approach to target-setting

Annual objectives are set according to immediate priorities identified by the Board and management and will be reviewed and adjusted annually to reflect changing priorities. The long term performance metrics are in line with the long term strategic focus of the Company and will be reviewed as required in line with any changes in strategic direction. Targets will be set by reference to internal budgets and strategic plans, industry backdrop and external expectations to ensure they represent appropriately stretching levels of performance.

6.4 Differences between executive directors' and employees' remuneration

Executive Committee members participate in an annual bonus scheme with significant levels of deferral, to align their remuneration with the long term interests of share and fund holders. However, in line with market practice in alternative investment funds, their incentive pay-outs are uncapped.

Employee remuneration includes base salary, pension (capped at 14% of salary) and benefits (which include private health, subsidised gym membership, the opportunity to participate in charitable activities during working hours and a range of flexible benefits which can be purchased from salary), an annual performance bonus and, for senior contributors, long term share and fund-based deferrals. The level of deferral increases as total compensation increases. This provides alignment with shareholders and the future performance of the Company and with the interests of investors in funds managed by the Company.

Sales staff have a specific bonus scheme to incentivise appropriate asset raising and retention, whilst aligning interests on costs.

6.5 Approach to recruitment remuneration

External appointment

APPROACH TO RECRUITMENT REMUNERATION — **TABLE R25**

Component	Approach	Maximum grant value
Base salary	Base salary will be determined to provide competitive total compensation in relation to relevant market practice, experience and skills of the individual, internal relativities and their current compensation.	$1.1m
Pension	Pension contributions or an equivalent cash supplement will normally be set in line with existing policy.	14% of salary[1]
Benefits	Benefits may include (but are not limited to) private medical insurance, life assurance, permanent health insurance, Group income protection and any necessary relocation expenses.	n/a
Sharesave	New appointees will be eligible to participate in any all-employee share schemes the Company offers.	n/a
Annual Bonus	The remuneration structure described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of employment over the year.	250% of salary
Long term Incentive Plan	New appointees may be granted awards under the long term incentive plan, on the same terms as other executive directors, as described in the policy table including in respect of the first part-year of service.	350% of salary

Notes

1 The directors' maximum pension contribution is aligned to the maximum available to all employees, currently 14% of salary

In determining the appropriate remuneration, the Remuneration Committee will take into consideration all relevant factors (including quantum, nature of remuneration and the jurisdiction from which the candidate was recruited) to ensure that arrangements are in the best interests of both Man Group and its shareholders.

With respect to a new appointment, the Remuneration Committee may 'buy out' incentive arrangements, including bonuses, forgone on leaving a previous employer, and awards made under such 'buy out' arrangements may be in addition to the remuneration outlined in the table above. In doing so, the Remuneration Committee will consider relevant factors including any performance conditions attached to those incentive arrangements and the likelihood of those conditions being met. In defining the size of this 'buy out' award, the Remuneration Committee would ensure that its fair value is no higher than the fair value of the incentive arrangements forgone. The Remuneration Committee may also consider it appropriate to structure any such 'buy out' award differently to the structure described in the policy table including whether appropriate performance conditions should apply, exercising the discretion available under the UKLA Listing Rules.

The Remuneration Committee does not intend that such 'buy out' awards will be made as a matter of routine; on the contrary, although the Remuneration Committee cannot anticipate every circumstance which it might face in the future, it is expected that any such awards made under the UKLA Listing Rules will only be contemplated in exceptional circumstances, will be reviewed and approved by the full Board and described fully in the subsequent year's DRR.

DIRECTORS' REMUNERATION REPORT CONTINUED

Internal appointment

For the appointment of a new executive director by way of internal promotion, the Remuneration Committee's approach will be consistent with the policy for external appointees detailed above. Where an individual has contractual commitments made prior to their promotion to the Board, the Company will continue to honour these commitments.

6.6 Service contracts and exit payment policy

SERVICE CONTRACTS **TABLE R26**

Element	Condition
Contract dates	Luke Ellis: 1 September 2016
	Mark Jones: 1 January 2017
	Jonathan Sorrell: 28 September 2012
Current appointment	No fixed term
Notice period (by either Company or director)	Luke Ellis: 12 months
	Mark Jones: 6 months
	Jonathan Sorrell: 6 months The Company's policy is that notice periods will not exceed 12 months
Contractual entitlement to fixed bonus or share-based incentive	None
Provisions for contract termination	Under all contracts the Company can opt to terminate immediately by making a payment in lieu of the notice period or part of it. Luke Ellis' contract requires payment of base salary only in lieu. Jonathan Sorrell's contract requires payment of base salary plus the value of pension contributions (or alternative cash allowance) and certain other insured benefits in lieu. Mark Jones' contract requires payment of base salary plus a cash sum in lieu of pension contributions and other insured benefits. Payments in lieu are to be made in monthly instalments unless the Company and the executive director agree otherwise. Unless the Company decides otherwise the executive directors have a duty to mitigate their losses arising from termination of their employment in which case any replacement earnings earned in what would otherwise have been the notice period would reduce the obligation on the Company to make payments in lieu.
Annual Bonus	The service contracts do not oblige the Company to pay any bonus to executive directors and bonuses are awarded at the Remuneration Committee's discretion. Payment of any bonus is conditional upon the executive director being in employment and not under notice at the payment date, except in certain "good leaver" circumstances. Where the director is deemed to be a "good leaver", deferred bonus awards are retained by participants and release would follow the normal vesting schedule (except in the case of death where the Remuneration Committee may allow early vesting). The treatment will be decided by the Committee taking into account the circumstances of the departure including the performance of the executive director.
Long Term Incentive Plan	The treatment of long term awards is governed by the relevant Plan rules, as approved by shareholders. Where an individual's employment terminates, the LTIP rules provide for unvested long term incentive awards to lapse except as set out below: – Under the LTIP rules, where an individual is determined to be a "good leaver", unvested long term incentive awards will vest at the normal vesting date subject to performance against applicable performance conditions and, unless the Committee determines otherwise, pro-rating for time. Any Committee determination will take into account a number of considerations, in particular performance and other circumstances relating to their termination of employment. – Good leaver reasons include death, retirement, ill-health, injury or disability, redundancy, ,sale of the Company or business in which the individual was employed and cessation of employment on terms agreed with the Company. The Remuneration Committee may also decide, in its discretion, to grant good leaver status in other circumstances and will take into account the reason for leaving and the executive director's performance up to the date employment ceases. Where the post-departure shareholding requirements have not been met, after exit post-vesting holding periods will continue to apply. The treatment in relation to DEIP awards is as set out in the policy approved in 2015.

To protect Man Group's business interests the executive directors' service contracts contain covenants which restrict the executives' ability to solicit or deal with clients and their ability to solicit senior employees. Luke Ellis has also entered into a broader non-compete covenant for an agreed period post termination.

Further, the Board has the right, at its discretion, to require Jonathan Sorrell and Mark Jones to comply with a broader non-compete covenant for up to six months post termination to provide additional protection for the Company. If the Board exercises this right, the Company will pay an additional amount up to six months' base salary and the value of pension contributions (or alternative cash allowance) and certain other insured benefits so that they are not left without income during the time when the Board wishes the non-compete to operate. This amount is paid in two equal instalments and is reduced by any payments made in lieu of notice. The Company may make a contribution to reasonable legal fees and provide outplacement services in connection with termination of a director's contract.

Executive directors' service contracts are available to view at the Company's registered office.

6.7 External appointments

With the approval of the Board in each case, and subject to the overriding requirements of the Company, executive directors may accept a limited number of external appointments as non-executive directors of other companies and retain any fees received. Details of external directorships held by executive directors, including associated fees, are provided in the Directors' Remuneration report for the relevant year.

6.8 Non-executive directors' remuneration policy

Non-executive directors have formal letters of appointment. The Chairman has a contract with the Company which provides that his appointment is terminable on six months' notice and Dame Katharine Barker's letter of appointment contains a three month notice period. The letters of appointment of the other existing non-executive directors do not contain any notice provisions or provision for compensation in the event of early termination, but it is intended that all future non-executive directors will be given a three month notice period. The Board's policy is to appoint non-executive directors for an initial three-year term, subject to retirement and reappointment by shareholders annually at the AGM, which may be followed by a further three years by mutual agreement. Any further extension will be subject to rigorous review. The initial dates of appointment of the non-executive directors to the Board are shown on pages 45 to 47 of this 2017 Annual Report, and their current fee levels are provided in the DRR on page 79. Non-executive directors are encouraged to build a shareholding in the Company.

Letters of appointment for the non-executive directors are available to view at the Company's registered office.

Details of the policy on fees paid to our non-executive directors are set out in the table below.

NON-EXECUTIVE DIRECTORS' REMUNERATION POLICY **TABLE R27**

Function	Operation	Opportunity
Fees To attract and retain non-executive directors of the highest calibre and experience relevant to Man Group	Fees are reviewed annually by the Board at the year-end taking into account market benchmarks for non-executives of companies of similar size and complexity to Man Group with consideration of sector relevance. The Chairman's remuneration is recommended by the Remuneration Committee and approved by the Board. Neither the Chairman nor the non-executive directors take part in discussions or vote on their own remuneration. Non-executive directors are reimbursed for expenses, such as travel and subsistence costs, incurred in connection with the carrying out of their duties. Any tax costs associated with these benefits are paid by the Company.	Fee levels will take account of any significant change in the scope of the role or time commitment required and are set by reference to an appropriate comparator group. Non-executive directors receive a base fee for Board service and additional fees for Board Committee membership and other responsibilities. They do not participate in any share option or share incentive plans.

6.9 Recruitment of non-executive directors

When recruiting a new non-executive director, the Board will utilise the policy as set out in Table R27 above. A base fee in line with the prevailing fee schedule would be payable for Board membership, with additional fees payable for acting as Senior Independent Director or as a member or Chairman of a Board Committee.

DIRECTORS' REMUNERATION REPORT CONTINUED

6.10 Consideration of conditions elsewhere in the Company
In assessing executive director remuneration, internal relativities within the Company are reviewed by the Remuneration Committee. These internal reviews cover the individual elements of base salaries, benefits and total compensation.

6.11 Consideration of shareholder views
The Remuneration Committee values engagement with shareholders and their representative bodies and has consulted extensively in developing this policy to be put to shareholders for approval at the 2018 AGM. The consultation covered the structure of remuneration, the appropriate maximum opportunity, in the context of the current executive remuneration environment and the industry sector, as well as the short and long term measures and weightings in the incentive arrangements. In arriving at the policy presented for approval here, the views of a majority of shareholders have been considered and, we believe, reflected in the final Directors' Remuneration policy.

For and on behalf of the Board

Richard Berliand
Chairman of the Remuneration Committee
28 February 2018

DIRECTORS' REPORT

The Directors present their report, together with the audited consolidated financial statements, for the year ended 31 December 2017.

Man Group plc is incorporated as a public limited company limited by shares and is registered in England with the registered number 08172396 (the "Company"). The Company's registered office is Riverbank House, 2 Swan Lane, London EC4R 3AD.

Directors

Details of the current directors, together with their biographies, can be found on pages 45 to 47. The following Board changes have occurred during the year:

Mark Jones	Appointed 1 January 2017
Dame Katharine (Kate) Barker	Appointed 1 April 2017
Phillip Colebatch	Retired 30 September 2017

All of the other directors served for the duration of the year.

Details of the directors' interests in the Company's shares are given on page 80 of the Annual Report.

Powers of directors

The Board is responsible for the management of the business of the Company and may exercise all the powers of the Company subject to the provisions of relevant statutes and the Company's Articles of Association (the 'Articles'). A copy of the Articles is available on the Company's website and by request from the registered office of the Company. The Articles may be amended by a special resolution of the shareholders.

Appointment, retirement and replacement of directors

The appointment, retirement and replacement of directors are governed by the Articles, the UK Corporate Governance Code and the Companies Act 2006. Under the Articles, the Board has the power to appoint further directors during the year, but any director so appointed must stand for reappointment at the next Annual General Meeting (AGM). In accordance with the Articles, one-third of the Board must retire by rotation at each AGM and may stand for reappointment. In practice, and in accordance with the UK Corporate Governance Code, all Board members retire and offer themselves for reappointment at each AGM.

The Articles give each director the power to appoint any person to be his/her alternate, such appointment being subject to Board approval where the proposed alternate is not an existing director of the Company.

Directors' indemnities and insurance cover

The Company has maintained qualifying third-party indemnity provisions for the benefit of its directors during the year and these remain in force at the date of this report. The indemnity is granted by the Company to new directors on their appointment and covers, to the extent permitted by law, any third-party liabilities which they may incur as a result of their service on the Board. The Company arranges directors' and officers' liability insurance to cover certain liabilities and defence costs which the Company indemnity does not meet. Neither the indemnity nor the insurance provides any protection in the event of a director being found to have acted fraudulently or dishonestly in respect of the Company.

Shares

Share capital

Details of movements in issued share capital, together with the rights and obligations attaching to the Company's shares, are set out in Note 20 to the financial statements. This Note also provides information on the Company's unexpired authority to purchase its own shares and details of the shares purchased by the Company during the year.

Substantial voting interests

As at 31 December 2017, the Company had been notified of the following voting interests in the ordinary share capital of the Company in accordance with DTR 5 of the FCA's Disclosure Guidance and Transparency Rules. Percentages are shown as notified, calculated with reference to the Company's disclosed share capital as at the date of the movement triggering the notification.

Shareholder	Number of shares notified to the Company	Percentage of issued share capital
Silchester International Investors LLP	85,232,803	5.00%
Sumitomo Mitsui Trust Holdings, Inc	51,000,000	3.02%

Following the year end, on 5 February 2018, BlackRock, Inc. disclosed to the Company, in accordance with DTR 5, an indirect holding of 83,046,394 ordinary shares, representing 5.06% of the Company's share capital.

As at 27 February 2018, being the latest practicable date prior to the publication of this report, no change to the shareholdings reported above had been notified to the Company in accordance with DTR 5.

Restriction on voting rights

Where shares are held in employee benefit trusts for the satisfaction of awards made under the Company's share schemes, under the trust deeds the trustees have discretion to vote or abstain from voting.

Share transfer restrictions

On 1 January 2017, 5,650,862 ordinary shares in the Company, which were issued as a partial upfront consideration for the acquisition of Aalto Invest Holding AG, became subject to share lock-up agreements. Under the terms of such agreements, and with limited exceptions, the shares must not be disposed of until 31 December 2018 (second anniversary of the acquisition).

The Board may decline to register a transfer of any share which is not a fully paid share. In addition, registration of a transfer of an uncertificated share may be refused in the circumstances set out in the Uncertificated Securities Regulations and where the number of joint holders exceeds four.

Change of control

The Company's employee share and fund incentive schemes contain provisions whereby, upon a change of control of the Company, outstanding options and awards would vest and become exercisable, subject to any prorating that may be applicable.

Independent auditor

The Company's auditor, Deloitte LLP, has indicated its willingness to continue in office and a resolution to reappoint Deloitte LLP as auditor of the Company will be proposed at the 2018 AGM.

DIRECTORS' REPORT CONTINUED

Carbon emissions reporting

The information below details our mandatory reporting of greenhouse gas emissions for the year pursuant to the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Around 69% (2016: 70%) of our overall emissions relate to purchased electricity and gas usage across our various geographical locations, with the remaining 31% (2016: 30%) relating to air travel. All emissions are reported in tonnes of carbon dioxide equivalents (CO_2e).

Man Group's emissions by scope

		Tonnes of CO_2e emissions	
Scope	Source	**Year ended 31 December 2017**	Year ended 31 December 2016
Scope 1	Natural gas	**265**	330
Scope 2	Electricity	**7,105**	6,070
Scope 3	Air travel	**3,308**	2,701[1]
Total		**10,679**	9,101

The emissions we are reporting have been calculated using an intensity metric which will enable us to monitor emissions independent of activity. As Man Group is a people-related business, we expect that any changes to headcount will impact the property space we occupy and the amount of business travel we use. Therefore, emissions per employee are the most appropriate metric for our business, as shown in the table below. The average number of employees in 2017 was 1,313 (2016: 1,250[1]), as disclosed in Note 4 to the financial statements.

Note
1 Prior year scope 3 emissions have been remeasured using updated carbon emission factors to ensure comparability with the current year. Likewise prior year headcount has been remeasured according to the headcount metric used in the current year.

Emissions per employee

	Tonnes of CO_2e emissions	
Scope	**Year ended 31 December 2017**	Year ended 31 December 2016
Scope 1	**0.2**	0.3
Scope 2	**5.4**	4.9
Scope 3	**2.5**	2.2
Emissions per employee	**8.1**	7.4

Increases in Scope 2 emissions are due to taking additional office space in London in June 2017. Air travel emissions (Scope 3) have increased primarily due to an increase in air mileage during 2017.

Methodology

For practical reasons, most of the emissions data was gathered for the first nine months of each year and, as appropriate, extrapolated in order to calculate the full year emissions. Based on the nature of our emissions and the consistency month on month, we believe this is an appropriate representation of the annual emissions.

In order to compile the reportable emissions data from our offices, electricity and gas meter readings have been obtained from our energy suppliers. For some of our smaller offices we are not charged for energy usage separately as these costs are incorporated into the service fees for our premises. These emissions have not been included in the reported total above, due to the data being unavailable, and relate to offices for the use of 23 employees (2016: 16 employees).

Where Man Group is the landlord of a property, and electricity costs are incurred on behalf of sub-tenants, these costs are on-charged to the sub-tenants as the users of the electricity. Accordingly, no emissions data for energy usage incurred on behalf of sub-tenants is included in Man Group's reportable emissions above.

Disclosures of emissions related to business travel are restricted to flight costs as a result of the CO_2e emission convertible data relating to other means of transport (e.g. taxis) not being available.

Further disclosures

Information fulfilling the further disclosure requirements contained in the Companies Act 2006, Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and the FCA's Listing Rules and Disclosure Guidance and Transparency Rules, where applicable to the Company, can be found in the following sections of the Annual Report for the year ended 31 December 2017 which are incorporated into the Directors' report by reference:

	Pages
Future developments in the business	8-21
Research and development activities	10-21
Dividend	29, 117, 145-146
Dividend waiver	128
Employment policy and employee involvement	36-40
Financial risk management and financial instruments	121-122, 135-137
Corporate governance report	44-55
Internal control and risk management statements	32
Directors' responsibility statement including disclosure of information to the auditors	97

For and on behalf of the Board

Rachel Rowson
Company Secretary
28 February 2018

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation, and have also elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Financial Reporting Standard 101 Reduced Disclosure Framework'. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs and of the profit or loss of the Company and Group for that period.

In preparing the Parent Company financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards and 'Financial Reporting Standard 101 Reduced Disclosure Framework' have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Group's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, whose names and functions are on pages 45 to 47 confirm that, to the best of each person's knowledge and belief:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- The Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face;
- The Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's and Group's performance, business model and strategy; and
- There is no relevant audit information of which the Group's auditor is unaware, and that they have taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that Man's auditor is aware of that information.

Financial statements contents

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAN GROUP PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of Man Group plc (the 'Parent Company') and its subsidiaries' (the 'Group') affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of the Parent Company and the Group which comprise:

- the Group income statement;
- the Group statement of comprehensive income;
- the Group and Parent Company balance sheets;
- the Group cash flow statement;
- the Group and Parent Company statement of changes in equity; and
- the related Notes 1 to 29 for the Group and 1 to 7 for the Parent Company.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

SUMMARY OF OUR AUDIT APPROACH

Key audit matters	The key audit matters that we identified in the current year were: – Accounting for the acquisition of Aalto – Impairment assessment of GLG and FRM acquired intangibles – Valuation of Numeric and Aalto contingent consideration payable – Accuracy of accrued performance fee revenues Within this report, any new key audit matters are identified with ⌃ and any key audit matters which are the same as the prior year identified with ›.
Materiality	The materiality that we used in the current year was \$15m (2016: \$15m) which was determined on the basis of 5% of a two-year average of the adjusted profit before tax.
Scoping	We performed a full scope audit on 18 (2016: 16) subsidiaries and audits of specified account balances within a further 14 (2016: 12) subsidiaries across seven (2016: seven) geographic locations. Together, this accounts for 99% (2016: 98%) of the Group's revenue and 98% (2016: 93%) of the Group's profit before tax.

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the directors' statement in Note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 33-35 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 32 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 31 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAN GROUP PLC CONTINUED

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the prior year, we included two key matters that we have not included in the current year:

Consolidation of the Group's investments in fund products: As discussed in Note 1, the accounting for the investments requires judgement in determining whether control exists and hence whether investments are held on the balance sheet at fair value or are consolidated, as required by IFRS 10 Consolidated Financial Statements ("IFRS 10"). This year is the fourth year the Group has adopted the requirements. Based on our procedures and assessments the Group has suitable processes, policies and controls to implement the judgements required without significant risk of material misstatement.

Revenue rebates and distribution cost accruals: 2016 was the first full year that Man Group's new system for automating much of this process operated, resulting in improvements to the control environment. Based on our procedures and assessments the Group has implemented suitable automation and controls, therefore there is no longer a significant risk of material misstatement.

All of the key audit matters identified below have been considered as fraud risks when designing and performing our audit procedures. Inappropriate judgement or estimation could result in fraudulent financial reporting.

The description of this key matter should be read in conjunction with the significant issues considered by the Audit & Risk Committee discussed on page 58.

ACCOUNTING FOR THE ACQUISITION OF AALTO

Key audit matter description

On 1 January 2017, Man completed the acquisition of Aalto as detailed in Note 10. Accounting for the acquisition requires significant judgement in determining and subsequently allocating the purchase price in accordance with IFRS 3 *Business Combinations*.

The purchase price of $78m is the aggregate of up-front cash, up-front shares and the present value of contingent consideration at the acquisition date. Contingent payments require judgement in classification as either contingent consideration for the acquisition or remuneration for services.

The acquisition includes four deferred payments over eight years as detailed in Note 25. The total amount of these payments has an estimated present value of $52m. The present value has been classified as contingent consideration and included in the purchase price.

The purchase price allocation between net tangible liabilities acquired $(1)m, identifiable intangible assets acquired $24m and goodwill $55m requires estimation. The intangible assets valuation is dependent on estimated future cash flows, growth rates based upon management's view of the future business prospects and the associated discount rates. A significant portion of the purchase price is allocated to goodwill (71%).

How the scope of our audit responded to the key audit matter

Our procedures included:

Assessing related controls: We performed detailed walkthroughs of the recording and reporting of acquisitions, assessing the design and implementation of key controls.

Working with specialists: We engaged internal valuation specialists to assist in challenging management's assumptions used to calculate the valuation of the intangible assets and the fair value of the contingent consideration at the acquisition date. Our specialists assisted in evaluating the valuation techniques applied (discounted cash flows, excess earnings, relief from royalty and replacement cost) and challenging the reasonableness of valuation assumptions used (including discount rates, growth rates and valuation multiples) by comparing valuation inputs with relevant industry data.

Tests of detail: We performed a detailed review of the purchase agreement to assess whether all elements of the purchase price had been accounted for appropriately; we assessed the requirements of IFRS 3 business combinations to evaluate the classification of the contingent payments as consideration; and we challenged management on the valuation of acquired intangibles identified given the high percentage of the purchase price that was allocated to goodwill.

Key observations

From the evidence we obtained we found the classification of contingent payments and the allocation of the purchase price to be appropriate.

IMPAIRMENT ASSESSMENT OF GLG AND FRM ACQUIRED INTANGIBLES

Key audit matter description	There are five cash generating units ("CGUs") as detailed in note 10. The valuation of goodwill and acquired intangibles for CGUs with lower levels of headroom is a key estimate as discussed in Note 1. The previous years' performance of the GLG and FRM CGUs resulted in a reduction in the calculated value in use of these CGUs as at 31 December 2016, whereby all goodwill $319m and a significant portion of the acquired intangibles $60m was impaired with the full charge recognised in the Group income statement. The carrying value of the acquired intangibles at 31 December 2017 for GLG and FRM is $231m (2016:$294m). The impairment analysis performed by the Group requires estimation using the key assumptions detailed in Note 10. Based on our professional judgement the use of reasonable assumptions for GLG and FRM is a key audit matter.
How the scope of our audit responded to the key audit matter	Our procedures included: Assessing related controls: We performed detailed walkthroughs of the impairment processes, assessing the design and implementation of key controls. We tested the operating effectiveness of governance controls over valuation models. Working with specialists: We engaged internal valuation specialists to assist in challenging management's assumptions used to calculate the value in use of the CGUs. Our specialists assisted in evaluating the reasonableness of the assumptions. With the assistance of specialists, we performed a retrospective review of the accuracy of previous GLG and FRM forecasts. We compared GLG and FRM forecast Funds Under Management ("FUM") FUM flows, performance and margins to recent industry flows and performance, challenging the discount rate applied through discussions with management based on the results of our reviews. Tests of detail: We performed an independent sensitivity analysis to determine the impact of reasonably foreseeable changes to the key assumptions used in the value in use calculations for the GLG and FRM CGUs, to determine whether such changes would trigger material impairments. We held a series of discussions with key management across each of the CGUs and the Group who are outside of the finance function, as well as the Board of Man Group, comparing these discussions with the modelling for consistency. We recalculated management's reconciliation of the total valuation of all CGUs to the market value of Man Group based upon the share price at year end.
Key observations	From the evidence we obtained we found the key assumptions used to be appropriate and no impairment of acquired intangibles was required.

VALUATION OF NUMERIC AND AALTO CONTINGENT CONSIDERATION PAYABLE

Key audit matter description	The contingent consideration payable to the former owners of Numeric and Aalto of $175m (2016: $150m) and $60m respectively is stated at fair value, a key estimation as disclosed in note 1. The key assumptions are largely the same as those used in performing the impairment analyses discussed in the key matter above and are detailed in note 25. These assumptions are applied to contractual terms of the acquisition agreements in modelling the fair value at the year-end. Changes in the valuation of the contingent consideration are recognised in the Group income statement. Based on our professional judgement the use of reasonable assumptions is a key audit matter.
How the scope of our audit responded to the key audit matter	Our procedures included: Assessing related controls: We performed detailed walkthroughs of the contingent consideration valuation processes, assessing the design and implementation of key controls. We tested the operating effectiveness of governance controls over valuation models. Working with specialists: We engaged internal valuation specialists to assist in challenging management's assumptions used to calculate the fair value. Our specialists assisted in the same areas as discussed in the previous key audit matter above. Tests of detail: We compared the key terms of the acquisition agreements to the valuation models. We performed a retrospective review of the accuracy of previous forecasts where applicable. We held a series of discussions with key management across each of the CGUs and the Group who are outside of the finance function, as well as the Board of Man Group, comparing these discussions with the modelling for consistency. We performed an independent sensitivity analysis to determine the impact of reasonably foreseeable changes to the key assumptions used in the fair value models, to determine whether such changes would result in material revaluation.
Key observations	From the evidence we obtained, we found the assumptions used in calculating the fair value of the Numeric and Aalto contingent consideration are within appropriate ranges.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAN GROUP PLC CONTINUED

ACCURACY OF ACCRUED PERFORMANCE FEE REVENUES

Key audit matter description	In the prior year, we identified the accuracy and completeness of internally calculated management and performance fees and the consistency of calculations with governing documents as a key audit matter for both management and performance fees. In the current year we have refined this to the accuracy of accrued performance fees. Management fees continue to be material and we perform significant audit procedures on the balance. However, management fees are no longer assessed as a key audit matter since the calculation of most management fees was automated in 2017. The accounting policy for performance fee revenues is detailed in note 2. Performance fee estimates are manually calculated due to being complex calculations that are performed less frequently than management fee calculations. Further, accrued estimates are prior to any invoicing controls. The value of performance fees within Fee and other receivables (Note 14) is $196m, a material amount. The accrued fee requires accurate implementation of methodologies per governing documents, including any judgmental interpretations such as the treatment of client flows around the crystallisation dates or in-period flows within the calculations, and the use of estimated valuations as fee bases, which can change after the year end.
How the scope of our audit responded to the key audit matter	Our procedures included: Assessing related controls: We performed detailed walkthroughs of the performance fee estimation processes, assessing the design and implementation of key controls. We tested the operating effectiveness of the reconciliation controls over accrued performance fee estimates. Tests of detail: We independently agreed a sample of calculations to governing documents and source documentation, verifying the calculation methodology and the accuracy of the inputs used in the calculation (for example, fee rates, crystallisation dates, fund product profit and relevant benchmarks), challenging any judgements made when interpreting governing documents through discussions with management. For estimates subsequently finalised and invoiced between the year end and the signing of the annual report, we assessed the amounts invoiced against the accrued estimate at the year end.
Key observations	Based on our work, accrued performance fee revenues are not materially misstated.

Our application of materiality

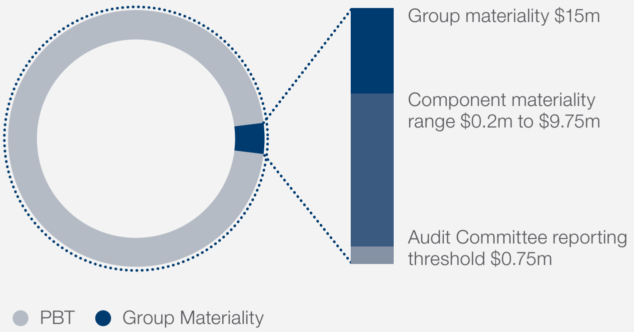
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	GROUP FINANCIAL STATEMENTS	PARENT COMPANY FINANCIAL STATEMENTS
Materiality	$15m (2016: $15m)	$6m (2016: $9.49m)
Basis for determining materiality	5% of the two-year average adjusted profit before tax ("PBT")	3% of Total shareholders' funds, capped at component materiality
Rationale for the benchmark applied	Group financial statements: Adjusted PBT is a key alternative performance measure reconciled to statutory profit on page 148 of this annual report. Adjusted PBT number is a relevant benchmark as it is a key figure used by analysts in assessing the performance of the business. It is closely correlated with the Group's cash earnings. We have determined that a profit-based benchmark is most appropriate for listed investment management companies and this is consistent with benchmarks used by Man's peers. Performance fees are variable and can fluctuate significantly year on year. For the year ended 31 December 2017, performance fees of $287m have been recorded in comparison to $81m in 2016. As a result, we have taken an average of the current year and prior year adjusted profit before tax ($384m and $205m respectively) in order to create a more stable basis. Our materiality is below 1% of the total equity of Man Group. Parent Company financial statements: Total shareholders' funds is generally considered as an appropriate benchmark for holding companies. The Parent Company does not generate external income and its main purpose is to hold investments in the underlying subsidiaries of the Group. We have also considered the year on year movement on this balance and deemed it to be a constant base, therefore this is a suitable benchmark to use. As this yielded a materiality in excess of the component materiality, we applied the component materiality. We perform a full scope audit of the Parent Company as part of our audit of the Group. The materialities of components of the Group are determined with reference to each components' contribution to Group PBT on an absolute basis.	

Materiality

PBT $384m



We agreed with the Audit & Risk Committee that we would report to the Committee all audit differences in excess of $750k (2016: $750k) for the Group and $300k (2016: $470k) for the Parent Company, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit & Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

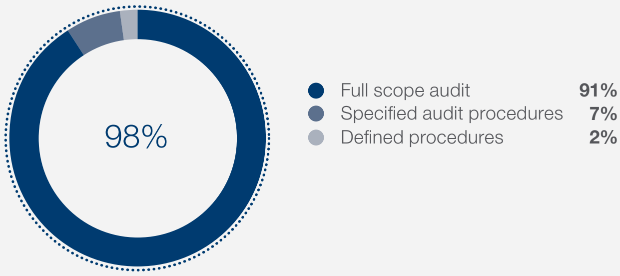
An overview of the scope of our audit

We perform our global scoping assessment on an individual entity by entity basis to determine the 'significant components' or balances which may be subject to testing. In doing so, we perform both a quantitative and qualitative assessment of all entities within the consolidated Group. Our quantitative assessment is primarily based on each entity's PBT and revenue, however a further assessment is performed to determine whether sufficient coverage has been obtained. Our qualitative assessment is based on our understanding of the entities obtained from prior years' and current year's events and any significant risks associated with each entity. Specific to our considerations is management's strategy for the Group and we continue to re-assess where we focus our efforts as the business continues to evolve.

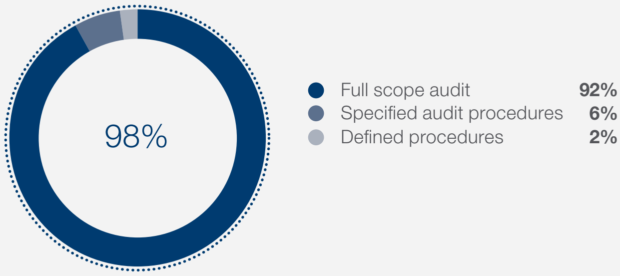
Based on that assessment, which is consistent with the prior year, we focused our Group audit scope primarily on the audit work at seven geographical locations. This included the full audit of 18 (2016: 16) subsidiaries across the UK, the US, Switzerland, Ireland, the Cayman Islands and the Channel Islands. A further 14 (2016: 12) subsidiaries across the UK, the US and Australia were subject to an audit of specified account balances where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of Man Group's operations at those locations. All other subsidiaries were subject to analytical review procedures.

These seven (2016: seven) geographical locations represent the principal business units and account for 98% (2016: 95%) of Man Group's total assets, 99% (2016: 98%) of Man Group's revenue and 98% (2016: 93%) of the Group's profit before tax on an absolute basis. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our assessment of the principal business units has been updated to include GPM as a result of the Aalto acquisition in the current year. Our audit work at the 32 (2016: 28) subsidiaries was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from $0.2m to $9.75m (2016: $7.3m to $14.6m). There has been no change in our approach to the testing at the Parent Company level.

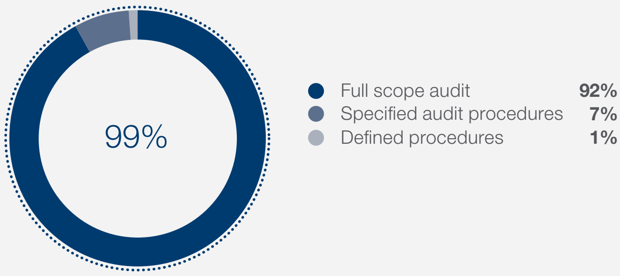
Profit before tax



Total assets



Revenue



Having now performed the audit of Man Group for four years, the Group audit team has developed a programme of planned visits that has been designed so that the Senior Statutory Auditor or a senior member of the Group audit team visits each of the locations where the Group audit scope is focused on a rotational basis. During the current year visits were made to New York and Boston in addition to the UK. Regular communications were also maintained with the remaining geographical locations. Books and records for subsidiaries located within Ireland, the Cayman Islands, Australia and the Channel Islands are maintained within the UK and are audited by the Group audit team.

Other information

The directors are responsible for other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAN GROUP PLC CONTINUED

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:
- Fair, balanced and understandable – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the Audit & Risk committee, we were appointed by the Board of Directors on 19 March 2014 to audit the financial statements for the year ending 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is four years, covering the years ending 31 December 2014 to 31 December 2017.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

David Barnes
(Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
28 February 2018

GROUP INCOME STATEMENT

$m	Note	Year ended 31 December 2017	Year ended 31 December 2016
Revenue:			
Gross management and other fees	2	**781**	746
Performance fees	2	**287**	81
		1,068	827
Income or gains on investments and other financial instruments	13.1	**64**	52
Third-party share of gains relating to interests in consolidated funds	13.2	**(14)**	(15)
Revaluation of contingent consideration	25	**(15)**	40
Reassessment of litigation provision	16	**24**	–
Distribution costs	3	**(56)**	(61)
Asset servicing	3	**(37)**	(33)
Amortisation of acquired intangible assets	10	**(84)**	(94)
Compensation	4	**(478)**	(405)
Other costs	5	**(173)**	(176)
Impairment of goodwill and acquired intangibles	10	**–**	(379)
Share of post-tax profit of associates	17	**8**	2
Finance expense	6	**(38)**	(32)
Finance income	6	**3**	2
Profit/(loss) before tax		**272**	(272)
Tax (expense)/credit	7	**(17)**	6
Statutory profit/(loss) attributable to owners of the Parent Company		**255**	(266)
Earnings/(loss) per share:	8		
Basic (cents)		**15.5**	(15.8)
Diluted (cents)		**15.3**	(15.8)

GROUP STATEMENT OF COMPREHENSIVE INCOME

$m	Year ended 31 December 2017	Year ended 31 December 2016
Statutory profit/(loss) attributable to owners of the Parent Company	**255**	(266)
Other comprehensive (expense)/income:		
Remeasurements of post-employment benefit obligations	**3**	(17)
Current tax (debited)/credited on pension scheme	**(5)**	4
Deferred tax credited on pension scheme	**1**	3
Items that will not be reclassified to profit or loss	**(1)**	(10)
Cash flow hedges:		
Valuation gains/(losses) taken to equity	**18**	(35)
Transfer to Group income statement	**9**	23
Deferred tax (debited)/credited on cash flow hedge movements	**(5)**	2
Net investment hedge	**(4)**	1
Foreign currency translation	**12**	(7)
Recycling of FX revaluation to the Group income statement on liquidation of subsidiaries	**1**	2
Items that may be reclassified subsequently to profit or loss	**31**	(14)
Other comprehensive income/(expense) (net of tax)	**30**	(24)
Total comprehensive income/(expense) attributable to owners of the Parent Company	**285**	(290)

GROUP BALANCE SHEET

$m	Note	At 31 December 2017	At 31 December 2016
Assets			
Cash and cash equivalents	12	**379**	426
Fee and other receivables	14	**491**	257
Investments in fund products and other investments	13	**729**	794
Pension asset	21	**32**	27
Investments in associates	17	**29**	31
Leasehold improvements and equipment	18	**44**	44
Goodwill and acquired intangibles	10	**1,024**	1,024
Other intangibles	11	**23**	17
Deferred tax assets	7	**81**	63
		2,832	2,683
Non-current assets held for sale	13	**145**	263
Total assets		**2,977**	2,946
Liabilities			
Trade and other payables	15	**843**	647
Provisions	16	**34**	51
Current tax liabilities	7	**21**	6
Third-party interest in consolidated funds	13	**99**	240
Borrowings	12	**150**	149
Deferred tax liabilities	7	**48**	47
		1,195	1,140
Non-current liabilities held for sale	13	**66**	132
Total liabilities		**1,261**	1,272
Net assets		**1,716**	1,674
Equity			
Capital and reserves attributable to owners of the Parent Company		**1,716**	1,674

The financial statements were approved by the Board of Directors and authorised for issue on 28 February 2018 and signed on its behalf by:

Luke Ellis
Chief Executive Officer

Mark Jones
Chief Financial Officer

GROUP CASH FLOW STATEMENT

$m	Note	Year ended 31 December 2017	Year ended 31 December 2016
Cash flows from operating activities			
Statutory profit/(loss)		**255**	(266)
Adjustments for non-cash items:			
Income tax expense/(credit)		**17**	(6)
Net finance expense		**35**	30
Share of post-tax profit of associates		**(8)**	(2)
Revaluation of contingent consideration		**15**	(40)
Depreciation of leasehold improvements and equipment		**12**	11
Amortisation of acquired intangible assets		**84**	94
Amortisation of other intangible assets		**6**	4
Share-based payment charge		**19**	18
Fund product based payment charge		**40**	37
Impairment of goodwill and acquired intangibles		**–**	379
Other non-cash movements		**(5)**	35
		470	294
Changes in working capital:			
(Increase)/decrease in receivables		**(241)**	91
Decrease/(increase) in other financial assets[1]		**–**	(63)
Increase/(decrease) in payables		**41**	(182)
Cash generated from operations		**270**	140
Interest paid		**(10)**	(11)
Income tax paid		**(29)**	(38)
Cash flows from operating activities		**231**	91
Cash flows from investing activities			
Purchase of leasehold improvements and equipment		**(12)**	(11)
Purchase of other intangible assets		**(12)**	(8)
Payment of contingent consideration in relation to acquisitions		**(11)**	(25)
Acquisition of subsidiaries and other intangibles[2]		**2**	(18)
Interest received		**3**	2
Proceeds from sale of associate		**2**	–
Dividends received from associates		**8**	1
Cash flows from investing activities		**(20)**	(59)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**7**	5
Purchase of own shares by the Employee Trusts and Partnerships		**(19)**	(18)
Share repurchase programme (including costs)		**(92)**	(35)
Dividends paid to Company shareholders		**(158)**	(158)
Cash flows from financing activities		**(262)**	(206)
Net decrease in cash		**(51)**	(174)
Cash at the beginning of the year		**426**	607
Effect of foreign exchange movements		**4**	(7)
Cash at year end[3]	12	**379**	426

Notes:
1 Includes $14 million of restricted net cash outflows (2016: $16 million net inflows) relating to consolidated fund entities (Note 13.2).
2 The 2017 cash received relates to the cash acquired as part of the Aalto acquisition on 1 January 2017 (Note 10). The 2016 payment relates to cash paid into an intermediary holding account in advance of the acquisition of Aalto.
3 Includes $23 million (2016: $37 million) of restricted cash relating to consolidated fund entities (Note 13.2).

GROUP STATEMENT OF CHANGES IN EQUITY

$m	Year ended 31 December 2017	Year ended 31 December 2016
Share capital and capital reserves	**1,220**	1,205
Revaluation reserves and retained earnings	**496**	469
Capital and reserves attributable to owners of the Parent Company	**1,716**	1,674

Share capital and capital reserves

$m	Share capital	Share premium account	Capital redemption reserve	Merger reserve	Reorganisation reserve	Total
At 1 January 2017	**58**	**19**	**5**	**491**	**632**	**1,205**
Purchase and cancellation of own shares	**(2)**	**–**	**2**	**–**	**–**	**–**
Issue of ordinary shares: Aalto acquisition	**–**	**–**	**–**	**8**	**–**	**8**
Issue of ordinary shares: Partnership Plans and Sharesave	**–**	**7**	**–**	**–**	**–**	**7**
At 31 December 2017	**56**	**26**	**7**	**499**	**632**	**1,220**

Revaluation reserves and retained earnings

$m	Profit and loss account	Own shares held by Employee Trusts	Cumulative translation adjustment[1]	Cash flow hedge reserve[1]	Available-for-sale reserve	Total
At 1 January 2017	**564**	**(43)**	**(39)**	**(15)**	**2**	**469**
Statutory profit	**255**	**–**	**–**	**–**	**–**	**255**
Other comprehensive income/(expense)						
Revaluation of defined benefit pension scheme	**3**	**–**	**–**	**–**	**–**	**3**
Current tax debited on pension scheme	**(5)**	**–**	**–**	**–**	**–**	**(5)**
Deferred tax credited on pension scheme	**1**	**–**	**–**	**–**	**–**	**1**
Fair value gains on cash flow hedges[1]	**–**	**–**	**–**	**18**	**–**	**18**
Transfer cash flow hedge to Group income statement	**–**	**–**	**–**	**9**	**–**	**9**
Deferred tax debited on cash flow hedge movements	**–**	**–**	**–**	**(5)**	**–**	**(5)**
Currency translation difference	**–**	**(4)**	**13**	**–**	**–**	**9**
Share-based payments charge	**13**	**–**	**–**	**–**	**–**	**13**
Deferred tax credited on share-based payments	**2**	**–**	**–**	**–**	**–**	**2**
Purchase of own shares by the Employee Trusts	**–**	**(14)**	**–**	**–**	**–**	**(14)**
Disposal of own shares by the Employee Trusts	**(15)**	**15**	**–**	**–**	**–**	**–**
Share repurchases	**(101)**	**–**	**–**	**–**	**–**	**(101)**
Dividends	**(158)**	**–**	**–**	**–**	**–**	**(158)**
At 31 December 2017	**559**	**(46)**	**(26)**	**7**	**2**	**496**

Note:
1 Details of the Group's hedging arrangements are provided in Note 12.

The proposed final dividend would reduce shareholders' equity by $94 million (2016: $75 million) subsequent to the balance sheet date (Note 9). Further details of the Group's share capital and reserves are included in Note 20.

Share capital and capital reserves

$m	Share capital	Share premium account	Capital redemption reserve	Merger reserve	Reorganisation reserve	Total
At 1 January 2016	59	14	4	491	632	1,200
Purchase and cancellation of own shares	(1)	–	1	–	–	–
Issue of ordinary shares: Aalto acquisition	–	–	–	–	–	–
Issue of ordinary shares: Partnership Plans and Sharesave	–	5	–	–	–	5
At 31 December 2016	58	19	5	491	632	1,205

Revaluation reserves and retained earnings

$m	Profit and loss account	Own shares held by Employee Trusts	Cumulative translation adjustment	Cash flow hedge reserve	Available-for-sale reserve	Total
At 1 January 2016	1,105	(62)	(25)	(5)	2	1,015
Statutory loss	(266)	–	–	–	–	(266)
Other comprehensive income						
Revaluation of defined benefit pension scheme	(17)	–	–	–	–	(17)
Current tax credited on pension scheme	4	–	–	–	–	4
Deferred tax credited on pension scheme	3	–	–	–	–	3
Fair value losses on cash flow hedges	–	–	–	(35)	–	(35)
Transfer cash flow hedge to Group income statement	–	–	–	23	–	23
Deferred tax credited on cash flow hedge movements	–	–	–	2	–	2
Currency translation difference	–	10	(14)	–	–	(4)
Share-based payments charge	17	–	–	–	–	17
Current tax credited on share-based payments	1	–	–	–	–	1
Deferred tax debited on share-based payments	(2)	–	–	–	–	(2)
Purchase of own shares by the Employee Trusts	–	(13)	–	–	–	(13)
Disposal of own shares by the Employee Trusts	(22)	22	–	–	–	–
Share repurchases	(101)	–	–	–	–	(101)
Dividends	(158)	–	–	–	–	(158)
At 31 December 2016	564	(43)	(39)	(15)	2	469

NOTES TO THE GROUP FINANCIAL STATEMENTS

1. Basis of preparation

Accounting policies

The audited consolidated financial information has been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations (IFRICs) as adopted by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. Man's principal accounting policies have been consistently applied across the Group in the preparation of the financial statements. Accounting policies are included in the relevant sections, and significant policies are outlined on page 111. The impact, if any, of new accounting standards and amendments applicable to the year ended 31 December 2017 and accounting standards that are not yet effective are detailed on pages 111 to 112.

Consolidated group and presentation currency

The consolidated group is Man Group plc (the Company) and its subsidiaries (together the Group or Man). The stand-alone Parent Company financial statements of Man Group plc have been included as separate financial statements on pages 141 to 143. Man's presentation currency is United States Dollars (USD).

The consolidated financial information contained within these financial statements incorporates the results, cash flows and financial position of the Company and its subsidiaries (Note 29) for the year to 31 December 2017. Subsidiaries are entities (including structured entities) controlled by Man and are consolidated from the date on which control is transferred to Man until the date that control ceases. Control exists when Man has the power to direct the relevant activities, exposure to significant variable returns and the ability to utilise power to affect those returns. All intercompany transactions, balances, income and expenses between Group entities are eliminated on consolidation.

Business combinations (acquisitions) are accounted for using the acquisition method. The acquisition date is the date on which Man effectively obtains control of the acquiree. The cost of an acquisition is measured as the fair value at the acquisition date of assets transferred, liabilities incurred and equity instruments issued by the Group. The fair value of an acquisition is calculated at the acquisition date by recognising the acquiree's identifiable assets and liabilities at their fair values at that date, and costs relating to acquisitions are recognised in the Group income statement as incurred. Any contingent consideration will be recognised at fair value at the acquisition date, with any subsequent changes to the fair value of the contingent consideration recognised in the Group income statement.

Man's relationship with independent fund entities

Man acts as the investment manager/advisor to fund entities. Man assesses such relationships on an ongoing basis to determine whether each fund entity is controlled by the Group and therefore consolidated into the Group's results. Having considered all significant aspects of Man's relationships with fund entities, the directors are of the opinion that, although Man manages the assets of certain fund entities, where Man does not hold an investment in the fund entity the characteristics of control are not met, and that for most fund entities: the existence of independent boards of directors at the fund entities; rights which allow for the removal of the investment manager/advisor; the influence of investors; limited exposure to variable returns; and the arm's length nature of Man's contracts with the fund entities, indicate that Man does not control the fund entities and their associated assets, liabilities and results should not be consolidated into the Group financial statements. Assessment of the control characteristics for all relationships with fund entities led to the consolidation of nine funds for the year ended 31 December 2017 (2016: 11), as detailed in Note 13. An understanding of the aggregate funds under management (FUM) and the fees earned from fund entities is relevant to an understanding of Man's results and earnings sustainability, and this information is provided in the Chief Financial Officer's review on pages 25 to 27.

Judgemental areas and accounting estimates

The most significant area of judgement is whether the Group controls certain funds through its investments in fund products and is required to consolidate them (Note 13.2), with our key judgements outlined above within 'Man's relationship with independent fund entities'. In addition, we have used judgement in assessing the purchase price of the January 2017 acquisition of Aalto (Note 10) in order to determine whether each component should be accounted for as purchase consideration or as post-acquisition compensation costs. In assessing the key criteria as set out in IFRS 3 'Business Combinations' we have concluded that all of the purchase price, including the deferred components, should be accounted for as purchased consideration for the following primary reasons: (i) the sellers will receive all of the purchase price whether they remain employed by Man or not (subject to certain industry standard non-compete clauses); and (ii) Aalto management will be compensated for services at market rates for their services provided to Man as part of their employment contracts, in addition to deferred purchase consideration.

Furthermore, the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, include the determination of fair values for contingent consideration in relation to the Numeric and Aalto acquisitions (Note 25), the valuation of goodwill and acquired intangibles for CGUs with lower levels of headroom (Note 10) and recognition of deferred tax assets in relation to US tax assets (Note 7). The key assumptions and range of possible outcomes are discussed in the relevant notes.

These judgements and estimates have been an area of focus for the Group Board, and in particular the Audit and Risk Committee, during the year. The report of the Chairman of the Audit and Risk Committee discusses the involvement of the Committee in this evaluation on page 58.

Going concern

Man's business activity is discussed on pages 1 to 43, together with the significant risk factors (pages 30 to 35). Man's liquidity and capital positions are set out in Note 12 and 20 respectively. The directors monitor Man's capital and liquidity positions and forecasts throughout the year, and in addition they have approved a budget, medium-term financial plan, and a capital and liquidity plan, which cover the foreseeable future and include rigorous analysis of stressed capital and liquidity scenarios. The directors have concluded that there is a reasonable expectation that Man has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Group and Parent Company financial statements have been prepared on a going concern basis using the historical cost convention, except for the measurement at fair value of certain financial instruments that are held at fair value through profit or loss or available-for-sale. The directors have also made a longer-term viability statement, as set out on page 31.

1. Basis of preparation continued

Financial reporting controls

Details of the Group's systems of internal control are included on page 32.

Significant accounting policies schedule

Policy	Note	Page
Revenue and rebates	2	112
Distribution costs and asset servicing	3	112
Taxation	7	114-116
Goodwill and acquired intangibles	10	117-120
Investments in fund products	13	122-125
Deferred compensation arrangements	19	127-129
Pension benefits	21	130-134

Impact of new accounting standards

A number of new or amendments to existing standards and interpretations have been issued by the International Accounting Standards Board (IASB), one of which is mandatory for the year beginning 1 January 2017, with the remainder becoming effective in future years.

Amendments to IAS 7 Disclosure Initiative was adopted by Man in the current year, which have not had a significant impact.

The following standards and interpretations relevant to the Group's operations were issued by the IASB but are not yet mandatory:

- IFRS 9 – Financial Instruments: IFRS 9 is effective for annual periods beginning on or after 1 January 2018. IFRS 9 replaces the classification and measurement models for financial instruments in IAS 39 (Financial Instruments: recognition and measurement) with three classification categories: amortised cost, fair value through profit or loss and fair value through other comprehensive income. Under IFRS 9, the Group's business model and the contractual cash flows arising from its investments in financial instruments will determine the appropriate classification. The Group has assessed its balance sheet assets in accordance with the new classification requirements. The $3 million of investments held as Available For Sale (AFS) is expected to be classified as fair value through profit or loss as the AFS category will no longer exist (Note 13). The accumulated gain in the AFS reserve of $2 million is therefore expected be reclassified to retained earnings on transition, and any future revaluations will be recognised directly in the income statement (currently these are recorded in the AFS reserve in equity). There will be no other changes in the classification and measurement for any of the Group's financial assets or liabilities.

  In addition, IFRS 9 introduces an expected loss model for the assessment of impairment of financial assets. The current (incurred loss) model under IAS 39 requires the Group to recognise impairment losses when there is objective evidence that an asset is impaired. Under the expected loss model, impairment losses are recorded if there is an expectation of credit losses, even in the absence of a default event. This model is not applicable for investments held at fair value through profit or loss or investments in associates. Therefore the assets on the Group's balance sheet to which the expected loss model applies are loans to funds (Note 13.3) and fee receivables (Note 14), which do not have a history of credit risk or expected future recoverability issues. Therefore, no change to the carrying values of the Group's assets is expected as a result of adoption of the new standard.

  The new hedging requirements under IFRS 9, which are optional to adopt, are designed to provide some increased flexibility in relation to hedge effectiveness in order to better align hedge accounting with a company's risk management policies. The Group has elected to apply the IFRS 9 hedge accounting requirements for this reason. IFRS 9 also requires increased disclosures in relation to the Group's risk management strategy and the impact of hedge accounting on the financial statements. The Group's IAS 39 cash-flow and net investment hedge relationships (Note 12) qualify as continuing hedging relationships under IFRS 9, and there is no material change to existing hedge effectiveness assessments as a result. No additional hedge relationships are currently expected to be designated as a result of the adoption of IFRS 9.

  The Group does not anticipate that IFRS 9 will have a material impact on its reported results.

- IFRS 15 – Revenue from Contracts with Customers: IFRS 15 is effective for annual periods beginning on or after 1 January 2018 and replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. IFRS 15 establishes a single, principles-based revenue recognition model to be applied to all contracts with customers. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. Specifically, IFRS 15 introduces a five-step approach to revenue recognition: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognise revenue when or as the entity satisfies a performance obligation. IFRS 15 is more prescriptive in terms of its recognition criteria, with certain specific requirements in respect of variable fee income such that it is only recognised where the amount of revenue would not be subject to significant future reversals. New disclosure requirements are also introduced.

  The Group has considered these changes in light of the terms of our existing investment management agreements, and assessed the timing of management and performance fee recognition. Management fee revenues are recorded on a monthly basis as the underlying management activity (service) takes place, and do not include performance or other obligations (excluding standard duty of care requirements). Performance fee revenues are recognised when they crystallise, at which time they are payable by the client and cannot be clawed-back. There are no other performance obligations or services provided which suggest these have been earned either before or after crystallisation date. As a result of this assessment the Group has not identified any material changes to current revenue recognition principles.

  The Group does not anticipate that IFRS 15 will have a material impact on its reported results.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

1. Basis of preparation continued

– IFRS 16 – Leases: IFRS 16 is effective for annual periods beginning on or after 1 January 2019 and replaces IAS 17 Leases and related interpretations. This introduces a comprehensive model for the identification of lease arrangements and accounting treatment for both lessors and lessees, which distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. There is substantially no change to the accounting requirements for lessors. IFRS 16 requires operating leases, where the Group is the lessee, to be included on the Group's balance sheet, recognising a right-of-use (ROU) asset and a related lease liability representing the present value obligation to make lease payments. Certain optional exemptions are available under IFRS 16 for short-term (less than 12 months) and low-value leases. The ROU asset will be assessed for impairment annually (incorporating any onerous lease assessments) and depreciated on a straight-line basis, adjusted for any remeasurements of the lease liability. The lease liability will subsequently be adjusted for lease payments and interest, as well as the impact of any lease modifications. IFRS 16 also requires extensive disclosures detailing the impact of leases on the Group's financial position and results.

  The adoption of IFRS 16 will result in a significant gross-up of the Group's reported assets and liabilities on the balance sheet, in particular as our sub-lease arrangements (Note 27.3) are not expected to be eligible for offset against the ROU asset and related lease liability. The rental expense which is currently recognised within occupancy costs in the Group's income statement (Note 5) will no longer be incurred and instead depreciation expense (of the ROU asset) and interest expense (unwind of the discounted lease liability) will be recognised. This will also result in a different total annual expense profile under the new standard (with the expense being front-loaded in the earlier years of the lease term as the discount unwind on the lease liability reduces over time). The Group has considered the available transition options, and has provisionally decided to apply modified retrospective option 1 and currently estimates that the impact will be a gross-up of up to £200 million ($270 million) for ROU lease assets and associated deferred tax assets and £260 million ($350 million) in relation to lease liabilities, with up to £60 million ($80 million) deducted from brought-forward reserves on transition date in 2019. The initial reserves impact will be offset over time by a lower annual Group income statement charge, as the total charge over the life of each lease is the same as under the current IAS 17 requirements (Note 27).

No other standards or interpretations issued and not yet effective are expected to have an impact on the Group's financial statements.

2. Revenue

Fee income is Man's primary source of revenue, which is derived from the investment management agreements that are in place with the fund entities. Fees are generally based on an agreed percentage of net asset value (NAV) or FUM and are typically charged in arrears. Management fees net of rebates, which include all non-performance related fees, are recognised in the year in which the services are provided.

Performance fees net of rebates relate to the performance of the funds managed during the year and are recognised when the fee can be reliably estimated and has crystallised. This is generally at the end of the performance period or upon early redemption by a fund investor. Until the performance period ends, market movements could significantly move the NAV of the fund products. For AHL, GLG, FRM and GPM strategies, Man will typically only earn performance fee income on any positive investment returns in excess of the high water mark, meaning we will not be able to earn performance fee income with respect to positive investment performance in any year following negative performance until that loss is recouped, at which point a fund investor's investment surpasses the high water mark. Numeric performance fees are earned only when performance is in excess of a predetermined strategy benchmark (positive alpha), with performance fees being generated for each strategy either based on achieving positive alpha (which resets at a predetermined interval, i.e. every one to three years) or, in the case of alternatives, exceeding high water mark.

Rebates relate to repayments of management and performance fees charged, typically to institutional investors, and are presented net within gross management and other fees and performance fees in the Group income statement.

Analysis of FUM, margins and performance is provided in the Chief Financial Officer's Review on pages 25 to 27.

3. Distribution costs and asset servicing

Distribution costs are paid to external intermediaries for marketing and investor servicing, largely in relation to retail investors. Distribution costs are variable with FUM and the associated management fee revenue. Distribution costs are expensed over the period in which the service is provided. Distribution costs have decreased, despite growth in FUM, largely as a result of the continued mix shift towards institutional assets and the roll-off of guaranteed product FUM.

Asset servicing includes custodial, valuation, fund accounting and registrar functions performed by third-parties under contract to Man, on behalf of the funds, and is recognised in the period in which the service is provided. The cost of these services vary based on transaction volumes, the number of funds, and fund NAVs.

4. Compensation

$m	**Year ended 31 December 2017**	Year ended 31 December 2016
Salaries	**148**	159
Variable cash compensation	**220**	141
Share-based payment charge	**19**	18
Fund product based payment charge	**40**	37
Social security costs	**38**	23
Pension costs	**9**	10
Restructuring costs (adjusting item per page 148)	**4**	17
Total compensation costs	**478**	405

4. Compensation continued

Compensation is the Group's largest cost and an important component of Man's ability to retain and attract talent. In the short term, the variable component of compensation adjusts with revenues and profitability.

Total compensation costs, excluding restructuring, have increased by 22% compared to 2016, largely due to the increase in management and performance fee revenues year on year, as reflected in increased variable cash compensation and associated social security costs. The compensation ratio, as outlined on page 150, has decreased to 44% from 48% in 2016 primarily as a result of the higher level of performance fee revenue.

Salaries have decreased from prior year largely as a result of a more favourable hedged Sterling to USD rate in 2017 (1.36) compared to the hedged rate in 2016 (1.51), which had a $12 million impact compared to prior year. As a result of cost saving initiatives the underlying salaries costs have remained largely stable despite growth in the business, inflation and an increase in headcount.

Salaries, variable cash compensation and social security costs are charged to the Group income statement in the period in which the service is provided, and include partner drawings. The accounting for share-based and fund product based compensation arrangements is detailed in Note 19.

Pension costs relate to Man's defined contribution and defined benefit plans (Note 21).

Restructuring costs in 2017 of $4 million (2016: $17 million) relate to termination expenses incurred due to the restructuring of certain areas of the business which commenced in 2016 and were completed in 2017. Compensation costs incurred as part of restructuring are accounted for in full at the time the obligation arises, and include payments in lieu of notice, enhanced termination costs, and accelerated share-based and fund product based charges.

Average headcount

The table below provides average headcount by function, including directors, employees, partners and contractors:

	Year ended 31 December 2017	Year ended 31 December 2016
Investment management	**450**	402
Sales and marketing	**183**	198
Support functions	**680**	650
Average headcount	**1,313**	1,250

5. Other costs

$m	Year ended 31 December 2017	Year ended 31 December 2016
Occupancy	**33**	34
Technology and communications	**28**	27
Temporary staff, recruitment, consultancy and managed services	**20**	19
Legal fees and other professional fees	**17**	18
Benefits	**13**	15
Travel and entertainment	**11**	11
Audit, accountancy, actuarial and tax fees	**7**	8
Insurance	**4**	6
Marketing and sponsorship	**5**	6
Other cash costs, including irrecoverable VAT	**10**	10
Restructuring (adjusting item per page 148)	**7**	4
Acquisition and disposal related other costs (adjusting item per page 148)	**–**	4
Total other costs before depreciation and amortisation	**155**	162
Depreciation and amortisation	**18**	14
Total other costs	**173**	176

Other costs, before depreciation and amortisation, have decreased to $155 million from $162 million in 2016, which largely reflects a $9 million impact of the more favourable hedged Sterling to USD rate in 2017. The underlying cost base has remained stable despite inflation and growth in the business, reflecting continued efforts to remain disciplined on costs.

Other restructuring costs of $7 million in 2017 largely relate to onerous property leases arising as a result of finalisation of the 2016 restructuring plan following the centralisation of our London resources into one location. Other restructuring costs of $4 million in 2016 largely related to a reassessment of our onerous property lease provision relating to Riverbank House, which was recorded as an adjusting item upon initial recognition.

Auditors' remuneration, including advisory and professional services, is disclosed in the Corporate Governance section on page 60.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

6. Finance expense and finance income

$m	Year ended 31 December 2017	Year ended 31 December 2016
Finance expense:		
Interest payable on borrowings (Note 12)	**(9)**	(9)
Revolving credit facility costs and other (Note 12)	**(3)**	(4)
Unwind of contingent consideration discount (adjusting item per page 148)	**(26)**	(19)
Total finance expense	**(38)**	(32)
Finance income:		
Interest on cash deposits and US Treasury bills	**3**	2
Total finance income	**3**	2

7. Taxation

$m	Year ended 31 December 2017	Year ended 31 December 2016
Analysis of tax expense/(credit):		
Current tax:		
UK corporation tax on profits/(losses)	**39**	18
Foreign tax	**5**	5
Adjustments to tax charge in respect of previous years	**(6)**	(6)
Total current tax	**38**	17
Deferred tax:		
Origination and reversal of temporary differences	**(4)**	(17)
Recognition of US deferred tax asset	**(17)**	(6)
Total deferred tax	**(21)**	(23)
Total tax expense/(credit)	**17**	(6)

Man is a global business and therefore operates across many different tax jurisdictions. Income and expenses are allocated to these different jurisdictions based on transfer pricing methodologies set in accordance with the laws of the jurisdictions in which Man operates and international guidelines as laid out by the OECD. The effective tax rate results from the combination of taxes paid on earnings attributable to the tax jurisdictions in which they arise. The majority of the Group's profit was earned in the UK, Switzerland and the US. The Group's US tax rate is effectively nil as a result of accumulated US tax assets, as detailed on page 116.

The current effective tax rate of 6% (2016: 2%) differs from the applicable underlying statutory tax rates principally as a result of the incremental recognition of the US deferred tax asset of $17 million (2016: $6 million), as detailed on page 115, the release of a non-taxable litigation provision (Note 16) and the reassessment of tax exposures globally during the year. In 2016 the 2% effective tax rate differed to the applicable underlying statutory tax rates principally as a result of the impairment of the GLG and FRM goodwill and intangibles being largely non-deductible for tax purposes, which was partially offset by the incremental recognition of the US deferred tax asset of $6 million, and the reassessment of tax exposures in Europe and Asia-Pacific during the year. The effective tax rate is otherwise consistent with this earnings profile.

Accounting for tax involves a level of estimation uncertainty given the application of tax law requires a degree of judgement, which tax authorities may dispute. Tax liabilities are recognised based on the best estimates of probable outcomes, with regard to external advice where appropriate. The principal factors which may influence our future tax rate are changes to tax regulation in the territories in which we operate, the mix of income and expense by jurisdiction, and the timing of recognition of available tax assets.

The current tax liabilities of $21 million (2016: $6 million), as shown on the Group balance sheet, comprise a gross current tax liability of $24 million (2016: $9 million) net of a current tax asset of $3 million (2016: $3 million).

7. Taxation continued

The tax on Man's total profit before tax is lower (2016: credit on loss before tax is lower) than the amount that would arise using the theoretical effective tax rate applicable to the profits/(losses) of the consolidated companies as follows:

$m	Year ended 31 December 2017	Year ended 31 December 2016
Profit/(loss) before tax	**272**	(272)
Theoretical tax expense/(credit) at UK rate: 19.25% (2016: 20.00%)	**52**	(54)
Effect of:		
Overseas tax rates compared to UK	**(10)**	11
Adjustments to tax charge in respect of previous periods	**(9)**	(7)
Recognition of US deferred tax asset	**(17)**	(6)
Impairment of goodwill and other adjusting items (page 148)	**–**	43
Share-based payments	**–**	2
Other	**1**	5
Tax expense/(credit)	**17**	(6)

The effect of overseas tax rates compared to the UK includes the impact of the 0% effective tax rate of our US business.

In the current year the adjustments to the tax charge in respect of previous periods primarily relates to a $7 million credit mainly due to reassessment of tax exposures globally. In 2016, adjustments in respect of previous periods primarily related to a $6 million credit following the reassessment of tax exposures in Europe and Asia-Pacific.

The impairment of goodwill and other adjusting items in 2016 reflects that there is no tax relief for the impairment of goodwill recognised in jurisdictions outside the US.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the rates expected to be applied when the deferred tax asset or liability is realised.

Movements in deferred tax are as follows:

$m	Year ended 31 December 2017	Year ended 31 December 2016
Deferred tax liability		
At 1 January	**(47)**	(69)
Acquisition of Aalto balance sheet	**(2)**	–
(Charge)/credit to the Group income statement	**1**	22
Deferred tax liability at 31 December	**(48)**	(47)
Deferred tax asset		
At 1 January	**63**	59
Credit to the Group income statement	**20**	1
(Charge)/credit to other comprehensive income and equity	**(2)**	3
Deferred tax asset at 31 December	**81**	63

The deferred tax liability of $48 million (2016: $47 million) largely relates to deferred tax arising on acquired intangible assets.

The deferred tax asset comprises:

$m	31 December 2017	31 December 2016
US tax assets	**42**	25
Defined benefit pension schemes	**12**	11
Employee share schemes	**14**	10
Tax allowances over depreciation	**9**	9
Other	**4**	8
Deferred tax asset at 31 December	**81**	63

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

7. Taxation continued

The deferred tax asset income statement credit of $20 million (2016: $1 million) relates to the recognition of the US deferred tax asset of $17 million (2016: $6 million), an increase in the deferred tax asset on employee share schemes of $2 million (2016: $3 million decrease), no change in the deferred tax asset arising on tax allowances over depreciation (2016: decrease of $2 million) and an increase in the deferred tax asset on other temporary differences of $1 million (2016: $nil). The debit to other comprehensive income and equity of $2 million (2016: $3 million credit) relates to movements in the pension accrual, unrealised cash flow hedge balances and employee share schemes.

The Group has accumulated deferred tax assets in the US of $124 million (2016: $192 million). The decrease of $68 million is principally as a result of the reduction in future tax rates in the US arising from the enactment of the 2017 Tax Cuts and Jobs Act, which reduced the US federal tax rate from 35% to 21%, effective from 1 January 2018. These assets principally comprise accumulated operating losses from existing operations of $61 million (2016: $103 million) and future amortisation of goodwill and intangibles assets generated from acquisitions of $48 million (2016: $72 million) that will be available to offset future taxable profits in the US. From the maximum available deferred tax assets of $124 million (2016: $192 million), a deferred tax asset of $42 million has been recognised on the Group balance sheet (2016: $25 million), representing amounts which can be offset against probable future taxable profits. The increase of $17 million from that recognised at 31 December 2016 represents projected year on year growth in our US business, partially offset by the reduction in the US federal tax rate from 1 January 2018. Probable future taxable profits are considered to be forecast profits for the next three years only, consistent with the Group's business planning horizon. As a result of the recognised deferred tax asset and the remaining unrecognised available US deferred tax assets of $82 million (2016: $167 million), Man does not expect to pay federal tax on any taxable profits it may earn in the US for a number of years. Accordingly, any movements in this US tax asset are classified as an adjusting item (page 148). The gross amount of losses for which a deferred tax asset has not been recognised is $48 million (2016: $160 million), which will expire over a period of 11 to 19 years.

8. Earnings per ordinary share (EPS)

The calculation of basic EPS is based on post-tax profit of $255 million (2016: loss of $266 million), and ordinary shares of 1,640,137,392 (2016: 1,679,099,266), being the weighted average number of ordinary shares in issue during the period after excluding the shares owned by the Man Employee Trusts. For diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares, being ordinary shares of 1,659,830,089 (2016: 1,695,995,147).

The details of movements in the number of shares used in the basic and dilutive EPS calculation are provided below.

	Year ended 31 December 2017		Year ended 31 December 2016	
	Total number (million)	**Weighted average (million)**	Total number (million)	Weighted average (million)
Number of shares at beginning of year	**1,679.9**	**1,679.9**	1,700.8	1,700.8
Issues of shares	**10.1**	**8.4**	2.6	1.9
Repurchase of own shares	**(46.4)**	**(28.3)**	(23.5)	(2.3)
Number of shares at period end	**1,643.6**	**1,660.0**	1,679.9	1,700.4
Shares owned by Employee Trusts	**(20.3)**	**(19.9)**	(19.6)	(21.3)
Basic number of shares	**1,623.3**	**1,640.1**	1,660.3	1,679.1
Share awards under incentive schemes		**17.8**		15.9
Employee share options		**1.9**		1.0
Diluted number of shares		**1,659.8**		1,696.0

The basic and diluted earnings per share figures are provided below.

$m	**Year ended 31 December 2017**	Year ended 31 December 2016
Basic and diluted post-tax earnings	**255**	(266)
Basic earnings per share cents	**15.5**	(15.8)
Diluted earnings per share cents	**15.3**	(15.8)

9. Dividends

$m	Year ended 31 December 2017	Year ended 31 December 2016
Ordinary shares		
Final dividend paid for the year to 31 December 2016 – 4.5 cents (2015: 4.8 cents)	**77**	83
Interim dividend paid for the six months to 30 June 2017 – 5.0 cents (2016: 4.5 cents)	**81**	75
Dividends paid	**158**	158
Proposed final dividend for the year to 31 December 2017 – 5.8 cents (2016: 4.5 cents)	**94**	75

Details of dividends waived in the period are included in Note 19. Dividend distribution to the Company's shareholders is recognised directly in equity in Man's financial statements in the period in which the dividend is paid or, if required, approved by the Company's shareholders. Details of the Group's dividend policy are included in the Chief Financial Officer's Review on page 29.

10. Goodwill and acquired intangibles

	Year ended 31 December 2017					Year ended 31 December 2016				
$m	**Goodwill**	**Investment management agreements**	**Distribution channels**	**Brand names**	**Total**	Goodwill	Investment management agreements	Distribution channels	Brand names	Total
Net book value at beginning of the year	**588**	**405**	**16**	**15**	**1,024**	907	545	23	22	1,497
Acquisition of business[1]	**55**	**10**	**14**	**–**	**79**	–	–	–	–	–
Amortisation	**–**	**(75)**	**(6)**	**(3)**	**(84)**	–	(86)	(4)	(4)	(94)
Impairment expense[2]	**–**	**–**	**–**	**–**	**–**	(319)	(54)	(3)	(3)	(379)
Currency translation	**5**	**–**	**–**	**–**	**5**	–	–	–	–	–
Net book value at year end	**648**	**340**	**24**	**12**	**1,024**	588	405	16	15	1,024
Allocated to cash generating units as follows:										
AHL	**459**	**–**	**–**	**–**	**459**	454	–	–	–	454
GLG	**–**	**188**	**12**	**8**	**208**	–	238	16	11	265
FRM	**–**	**22**	**–**	**1**	**23**	–	28	–	1	29
Numeric	**134**	**121**	**–**	**3**	**258**	134	139	–	3	276
GPM	**55**	**9**	**12**	**–**	**76**	–	–	–	–	–

Notes:
1 Acquisition of business relates to the acquisition of Aalto on 1 January 2017.
2 The 2016 impairment of $379 million relates to GLG ($281 million) and FRM ($98 million).

Goodwill

Goodwill represents the excess of consideration transferred over the fair value of identifiable net assets of the acquired business at the date of acquisition. Goodwill is carried on the Group balance sheet at cost less accumulated impairment, has an indefinite useful life, is not subject to amortisation and is tested for impairment annually, or whenever events or circumstances indicate that the carrying amount may not be recoverable.

Investment management agreements (IMAs), distribution channels and brand names

IMAs, distribution channels and brand names are recognised at the present value of the expected future cash flows and are amortised on a straight-line basis over their expected useful lives, which are between three and 13 years (IMAs and brands), and six and 12 years (distribution channels).

Amortisation of acquired intangible assets of $84 million (2016: $94 million) primarily relates to the investment management agreements recognised on the acquisition of GLG and Numeric.

Allocation of goodwill to cash generating units

For statutory accounting impairment review purposes, the Group has identified five cash generating units (CGUs): AHL, GLG, FRM, Numeric and GPM. As a result of the acquisition of Aalto in 2017, the Group formally identified a new CGU, Global Private Markets (GPM). Details of the Aalto acquisition are provided on page 120.

Calculation of recoverable amounts for cash generating units

An impairment expense is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). The recoverable amounts of the Group's CGUs are assessed each year using a value in use calculation. The value in use calculation gives a higher valuation compared to a fair value less cost to sell approach, as this would exclude some of the revenue synergies available to Man through its ability to distribute products using its well established distribution channels, which may not be fully available to other market participants.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

10. Goodwill and acquired intangibles continued

The value in use calculations at 31 December 2017 use cash flow projections based on the Board approved financial plan for the year to 31 December 2018 and a further two years of projections (2019 and 2020), plus a terminal value. The valuation analysis is based on best practice guidance whereby a terminal value is calculated at the end of a short discrete budget period and assumes, after this three year budget period, no growth in asset flows above the long-term growth rate. In order to determine the value in use of each CGU, it is necessary to notionally allocate the majority of the Group's cost base relating to operations, product structuring, distribution and support functions, which are managed on a centralised basis.

The value in use calculations for AHL, GLG, FRM, Numeric and GPM (established as a result of the acquisition of Aalto in January 2017) are presented on a post-tax basis, consistent with the prior year, given most comparable market data is available on a post-tax basis. The value in use calculations presented on a post-tax basis are not significantly different to their pre-tax equivalent.

The assumptions applied in the value in use calculation are derived from past experience and assessment of current market inputs. A bifurcated discount rate has been applied to the modelled cash flows to reflect the different risk profile of net management fee income and net performance fee income. The discount rates are based on the Group's weighted average cost of capital using a risk free interest rate, together with an equity risk premium and an appropriate market beta derived from consideration of Man's beta, similar alternative asset managers, and the asset management sector as a whole. The terminal value is calculated based on the projected closing FUM at 31 December 2020 and applying a mid-point of a range of historical multiples to the forecast cash flows associated with management and performance fees.

The recoverable amount of each CGU has been assessed at 31 December 2017. The key assumptions applied to the value in use calculations for each of the CGUs are provided below.

Key assumptions:	AHL	GLG	FRM	Numeric	GPM
Compound average annualised growth in FUM (over three years)	11%	4%	10%	7%	37%
Discount rate					
– Management fees[1]	11%	11%	11%	11%	15%
– Performance fees[2]	17%	17%	17%	17%	21%
Terminal value (mid-point of range of historical multiples)[3]					
– Management fees	13.0x	13.0x	5.9x	13.0x	13.0x
– Performance fees	5.5x	5.5x	3.9x	5.5x	5.5x

Notes:
1 The pre-tax equivalent of the net management fees discount rate is 13%, 13%, 13%, 14% and 18% for each of the AHL, GLG, FRM, Numeric and GPM CGUs, respectively.
2 The pre-tax equivalent of the net performance fees discount rate is 20%, 20%, 20%, 21% and 25% for each of the AHL, GLG, FRM, Numeric and GPM CGUs, respectively.
3 The implied terminal growth rates are 3%, 3%, -10%, 3% and 7% for each of the AHL, GLG, FRM, Numeric and GPM CGUs, respectively.

The results of the valuations are further explained in the following sections, including sensitivity tables which show scenarios whereby the key assumptions are changed to stressed assumptions, indicating the modelled headroom or impairment that would result. Each assumption, or set of assumptions, is stressed in isolation. The results of these sensitivities make no allowance for actions that management would take if such market conditions persisted.

AHL cash generating unit

The AHL value in use calculation at 31 December 2017 indicates a value of $3.0 billion, with around $2.5 billion of headroom over the carrying value of the AHL business. Therefore, no impairment charge is deemed necessary at 31 December 2017 (2016: nil). The valuation at 31 December 2017 is around $0.5 billion higher than the value in use calculation at 31 December 2016, primarily due to higher opening FUM largely as a result of better than forecast performance in 2017.

			Discount rates (post-tax)		Multiples (post-tax)	
Sensitivity analysis:	Compound average annualised growth in FUM[1]		Management fee/ performance fee		Management fee/ performance fee	
Key assumption stressed to:	13%	(18%)	10%/16%	12%/18%	14.0x/6.5x	12.0x/4.5x
Modelled headroom/(impairment) ($m)	2,813	–	2,588[2]	2,452[2]	2,778[3]	2,260[3]

Notes:
1 The compound average annualised growth in FUM has been stressed in a downside scenario to determine the point at which headroom would be reduced to nil, after which impairment would arise.
2 An increase/decrease in the value in use calculation of $68 million.
3 An increase/decrease in the value in use calculation of $259 million.

GLG cash generating unit

In 2016 the GLG CGU was impaired by $281 million, primarily due to lower performance and net flows compared to that previously forecast as well as a weakening of industry growth forecasts during the year. This impaired the total GLG goodwill balance of $222 million and further impaired the other acquired intangibles balances relating to investment management agreements, distribution channels and brands by a total of $59 million.

The GLG value in use calculation at 31 December 2017 indicates a value of $387 million, with around $140 million of headroom over the carrying value of the GLG business. Therefore, no impairment charge is deemed necessary at 31 December 2017. The valuation at 31 December 2017 is $100 million higher than the value in use calculation at 31 December 2016 largely due to a better than forecast inflows. The headroom has also increased as a result of amortisation of acquired intangibles of $57 million during the year, which lowers the carrying value.

10. Goodwill and acquired intangibles continued

Sensitivity analysis:	Compound average annualised growth in FUM[1]		Discount rates (post-tax) Management fee/ performance fee		Multiples (post-tax) Management fee/ performance fee	
Key assumption stressed to:	6%	0%	10%/16%	12%/18%	14.0x/6.5x	12.0x/4.5x
Modelled headroom/(impairment) ($m)	226	–	150[2]	132[2]	172[3]	110[3]

Notes:
1 The compound average annualised growth in FUM has been stressed in a downside scenario to determine the point at which headroom would be reduced to nil, after which impairment would arise.
2 An increase/decrease in the value in use calculation of $9 million.
3 An increase/decrease in the value in use calculation of $31 million.

FRM cash generating unit

In 2016 the FRM CGU was impaired by $98 million, largely as a result of acceleration in the FUM mix shift towards lower margin mandates and reduced prospects for the traditional fund of funds business. This impaired the total FRM goodwill balance of $97 million, and further impaired the other acquired intangibles balances relating to investment management agreements and brands by a total of $1 million.

The FRM value in use calculation at 31 December 2017 indicates a value of $37 million, with $5 million of headroom over the carrying value of the FRM business. Therefore, no impairment charge is deemed necessary at 31 December 2017. The valuation at 31 December 2017 is largely in line with the value in use calculation at 31 December 2016. The headroom has increased as a result of amortisation of acquired intangibles of $6 million during the year, which lowers the carrying value.

Sensitivity analysis:	Compound average annualised growth in FUM[1]		Discount rates (post-tax) Management fee/ performance fee		Multiples (post-tax) Management fee/ performance fee	
Key assumption stressed to:	12%	8%	10%/16%	12%/18%	6.9x/4.9x	4.9x/2.9
Modelled headroom/(impairment) ($m)	11	–	5[2]	4[2]	8[3]	2[3]

Notes:
1 The compound average annualised growth in FUM has been stressed in a downside scenario to determine the point at which headroom would be reduced to nil, after which impairment would arise.
2 An increase/decrease in the value in use calculation of less than $1 million.
3 An increase/decrease in the value in use calculation of $3 million.

Numeric cash generating unit

The Numeric value in use calculation at 31 December 2017 indicates a value of around $600 million, with around $340 million of headroom over the carrying value of the Numeric business. Therefore, no impairment charge is deemed necessary at 31 December 2017 (2016: nil). The valuation at 31 December 2017 is around $170 million higher than the value in use calculation at 31 December 2016, primarily as a result of higher opening FUM due to stronger performance than previously forecast during 2017.

Sensitivity analysis:	Compound average annualised growth in FUM[1]		Discount rates (post-tax) Management fee/ performance fee		Multiples (post-tax) Management fee/ performance fee	
Key assumption stressed to:	9%	(17%)	10%/16%	12%/18%	14.0x/6.5x	12.0x/4.5x
Modelled headroom/(impairment) ($m)	401	–	356[2]	326[2]	382[3]	298[3]

Notes:
1 The compound average annualised growth in FUM has been stressed in a downside scenario to determine the point at which headroom would be reduced to nil, after which impairment would arise.
2 An increase/decrease in the value in use calculation of $15 million.
3 An increase/decrease in the value in use calculation of $42 million.

GPM cash generating unit

The GPM CGU was established in 2017 as a result of the acquisition of Aalto (as detailed on page 120). The GPM value in use calculation at 31 December 2017 indicates a value of around $110 million, with around $40 million of headroom over the carrying value of the GPM business. Therefore, no impairment charge is deemed necessary at 31 December 2017.

Sensitivity analysis:	Compound average annualised growth in FUM[1]		Discount rates (post-tax) Management fee/ performance fee		Multiples (post-tax) Management fee/ performance fee	
Key assumption stressed to:	39%	23%	14%/20%	16%/22%	14.0x/6.5x	12.0x/4.5x
Modelled headroom/(impairment) ($m)	44	–	41[2]	35[2]	45[3]	31[3]

Notes:
1 The compound average annualised growth in FUM has been stressed in a downside scenario to determine the point at which headroom would be reduced to nil, after which impairment would arise.
2 An increase/decrease in the value in use calculation of $3 million.
3 An increase/decrease in the value in use calculation of $7 million.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

10. Goodwill and acquired intangibles continued

Acquisition of Aalto

On 1 January 2017, Man acquired the entire issued share capital of Aalto, a US and Europe based real asset focused investment manager with $1.8 billion of funds under management at the date of acquisition. The acquisition consideration is structured to align Aalto's interests with those of Man, and comprises of an initial payment of $18 million in cash, including $1 million for acquired working capital, and $8 million in shares, and four deferred payments. The deferred payments are dependent on levels of run rate management fees measured following one, four, six and eight years from completion and are capped at $207 million in aggregate. The net present value of the aggregate deferred payments at completion was $52 million.

The $8 million fair value of the 5.7 million ordinary shares issued as part of the contingent consideration paid for Aalto was measured on the basis of quoted prices at the time of issue. The deferred payments are equivalent to an earn-out (contingent consideration) and deemed to be a financial liability measured initially at fair value with any subsequent fair value movements recognised through the Group income statement (Note 25).

Values for the acquired business at the date of acquisition are set out below:

$m	Book value	Fair value adjustments	Fair value
Intangible assets	–	24	24
Cash and receivables	5	–	5
Loans and payables	(4)	–	(4)
Deferred tax liability	–	(2)	(2)
Net assets acquired	1	22	23
Goodwill on acquisition			55
Net assets acquired including goodwill			78
Contingent consideration			52
Cash consideration			18
Value of shares issued			8
Total consideration			78

The fair value adjustments relate to the recognition of investment management agreements of $10 million and customer relationships of $14 million. These intangible assets are recognised at the present value of the expected future cash flows generated from the assets and are amortised on a straight-line basis over their expected useful lives of eight and six years respectively. Given the funds are close-ended only the future cash flows from funds existing at acquisition date are included within the investment management agreements intangible, and therefore this balance reflects a finite product portfolio and period.

The high proportion of acquired goodwill in comparison to identified other intangible assets is due to the nature of the acquired business. The goodwill balance of $55 million primarily represents direct and efficient access to the private real estate markets, the highly skilled and experienced Aalto team and the tailor made infrastructure and strong relationships to expand Man's current offering to its existing clients. None of the goodwill recognised is expected to be deductible for tax purposes.

Acquisition related costs included in the Group's income statement for the year ended 31 December 2017 amounted to less than $1 million. Aalto contributed $12 million of management fee revenue, $4 million of performance fee revenue and $3 million to the Group's profit before tax for the year ended 31 December 2017.

11. Other intangibles

$m	**Year ended 31 December 2017**	Year ended 31 December 2016
Net book value beginning of the year	**17**	14
Additions	**14**	9
Disposals/redemptions	**(2)**	(2)
Amortisation	**(6)**	(4)
Net book value at year end	**23**	17

Other intangibles relate to capitalised computer software. Capitalised computer software includes costs that are directly associated with the procurement or development of identifiable and unique software products, which will generate economic benefits exceeding costs beyond one year and is subject to regular impairment reviews. Capitalised computer software is amortised on a straight-line basis over its estimated useful life (three years), which is included in Other costs in the Group income statement. Additions relate to investment in software across Man's operating platforms.

12. Cash, liquidity and borrowings

$m	31 December 2017 Total	Less than 1 year	Greater than 3 years	31 December 2016 Total	Less than 1 year	Greater than 3 years
Borrowings: 2024 fixed rate reset callable guaranteed subordinated notes	**150**	**–**	**150**	149	–	149
Cash and cash equivalents[1]	**356**	**356**	**–**	389	389	–
Undrawn committed revolving loan facility	**500**	**–**	**500**	500	–	500
Total liquidity	**856**	**356**	**500**	889	389	500

Note:
1 Excludes $23 million (2016: $37 million) of restricted cash held by consolidated fund entities (Note 13.2).

Liquidity resources support ongoing operations and potential liquidity requirements under stressed scenarios. The amount of potential liquidity requirements is modelled based on scenarios that assume stressed market and economic conditions. The funding requirements for Man relating to the investment management process are discretionary. The liquidity profile of Man is monitored on a daily basis and the stressed scenarios are updated regularly. The Board reviews Man's funding resources at each Board meeting and on an annual basis as part of the strategic planning process. Man's available liquidity is considered sufficient to cover current requirements and potential requirements under stressed scenarios.

In September 2014, Man issued $150 million ten-year fixed rate reset callable guaranteed subordinated notes (Tier 2 notes), with associated issuance costs of $1 million. The Tier 2 notes were issued with a fixed coupon of 5.875% until 15 September 2019. The notes may be redeemed in whole at Man's option on 16 September 2019 at their principal amount, subject to FCA approval. If the notes are not redeemed at this time then the coupon will reset to the five-year mid-swap rate plus 4.076% and the notes will be redeemed on 16 September 2024 at their principal amount.

Borrowings are initially recorded at fair value net of transaction costs incurred, and are subsequently measured at amortised cost. The difference between the amount repayable at maturity on the borrowings and the carrying value is amortised over the period up to the expected maturity of the associated debt in accordance with the effective interest rate method.

Cash and cash equivalents at year end comprises cash at bank on hand of $175 million (2016: $222 million), short-term deposits of $181 million (2016: $102 million) and $nil US Treasury bills (2016: $65 million). Cash ring-fenced for regulated entities totalled $37 million (2016: $28 million). Cash is invested in accordance with strict limits consistent with the Board's risk appetite, which consider both the security and availability of liquidity. Accordingly, cash is held in on-demand deposit bank accounts and short-term bank deposits, and at times invested in short-term US Treasury bills. At 31 December 2017, the $356 million cash balance (excluding US Treasury bills and cash held by consolidated fund entities) is held with 20 banks (2016: $324 million with 18 banks). The single largest counterparty bank exposure of $84 million is held with an A+ rated bank (2016: $88 million with a BBB+ rated bank). At 31 December 2017, balances with banks in the AA ratings band aggregate to $97 million (2016: $109 million) and balances with banks in the A ratings band aggregate to $239 million (2016: $127 million).

In October 2016 the Group reduced the previous $1 billion syndicated revolving loan facility to $500 million. The $500 million facility was undrawn at 31 December 2017 (undrawn at 31 December 2016). The facility was put in place as a five-year facility and included the option for Man to request the banks to extend the maturity date by one year on each of the first and second anniversaries. The participant banks have the option to accept or decline Man's request. On the first and second anniversaries in 2016 and 2017, the banks were asked to extend the maturity date of the facility by one year and banks with participations totalling 98% of the facility accepted the request on both anniversaries. As a result of the maturity extension, $10 million is scheduled to mature in June 2020 and the remaining $490 million matures in June 2022. To maintain maximum flexibility, the facility does not include financial covenants.

Disclosures in relation to financial guarantees and commitments are included in Note 27.

Foreign exchange and interest rate risk

Man is subject to risk from changes in interest rates and foreign exchange rates on monetary assets and liabilities.

In respect of Man's monetary assets and liabilities which earn/incur interest indexed to floating rates, as at 31 December 2017 a 50bp increase/decrease in these rates, with all other variables held constant, would have resulted in a $1 million increase/decrease (2016: $1 million increase/decrease) in net interest income.

A 10% strengthening/weakening of the USD against all other currencies, with all other variables held constant, would have resulted in a foreign exchange loss/gain of $1 million (2016: $3 million loss/gain), with a corresponding impact on equity. This exposure is based on USD balances held by non-USD functional currency entities and non-USD balances held by USD functional currency entities within the Group.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

12. Cash, liquidity and borrowings continued

In certain circumstances, the Group uses derivative financial instruments to hedge its risk associated with foreign exchange movements. Where fixed foreign currency denominated costs are hedged, the associated derivatives may be designated as cash flow hedges. Effective unrealised gains or losses on these instruments are recognised within the cash flow hedge reserve in equity and, when realised, these are reclassified to the Group income statement in the same line as the hedged item. The realisation of foreign currency operating cash flows and the associated forward foreign currency derivative contracts generally arise on a monthly basis. The fair value of derivatives held in relation to the Group's cash flow hedges at 31 December 2017 is an asset of $9 million (2016: liability $18 million).

13. Investments in fund products and other investments

	31 December 2017					
$m	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Available-for-sale financial assets**	**Total investments in fund products and other investments**	**Net non-current assets held for sale**	**Total investments**
Loans to fund products	**–**	**25**	**–**	**25**	**–**	**25**
Investments in fund products	**249**	**–**	**–**	**249**	**79**	**328**
Other investments	**–**	**–**	**3**	**3**	**–**	**3**
Investments in line-by-line consolidated funds	**452**	**–**	**–**	**452**	**–**	**452**
	701	**25**	**3**	**729**	**79**	**808**

	31 December 2016					
$m	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total investments in fund products and other investments	Net non-current assets held for sale	Total investments
Loans to fund products	–	26	–	26	–	26
Investments in fund products	275	–	–	275	131	406
Other investments	–	–	3	3	–	3
Investments in line-by-line consolidated funds	490	–	–	490	–	490
	765	26	3	794	131	925

Man's seeding investments are included in various Group balance sheet line items. In summary, the total seeding investments portfolio is made up as follows:

$m	Note	**31 December 2017**	31 December 2016
Investments in fund products	13.1	**249**	275
Less those used to hedge deferred compensation awards	13.1	**(76)**	(75)
Consolidated net investments in funds – held for sale	13.2	**79**	131
Consolidated net investments in funds – line-by-line consolidation	13.2	**203**	285
Loans to funds	13.3	**25**	26
Seeding investments portfolio		**480**	642

13. Investments in fund products and other investments continued

13.1. Investments in fund products

Man uses capital to invest in our fund products as part of our ongoing business to build our product breadth and to trial investment research developments before we market the products broadly to investors. These seeding investments are generally held for less than one year. Where Man is deemed not to control the fund, these are classified as investments in fund products. Investments in fund products are classified at fair value through profit or loss, with net gains due to movements in fair value of $58 million for the year ended 31 December 2017 (2016: $55 million) recognised through income or gains on investments and other financial instruments. Purchases and sales of investments are recognised on trade date.

The fair values of investments in fund products are derived from the reported NAVs of each of the fund products, which in turn are based upon the value of the underlying assets held within each of the fund products and the anticipated redemption horizon of the fund product. The valuation of the underlying assets within each fund product is determined by external valuation service providers based on an agreed valuation policy and methodology. Whilst these valuations are performed independently of Man, Man has established oversight procedures and due diligence processes to ensure that the NAVs reported by the external valuation service providers are reliable and appropriate. Man makes adjustments to these NAVs where the anticipated redemption horizon, events or circumstances indicate that the NAVs are not reflective of fair value. The fair value hierarchy of financial assets is disclosed in Note 25.

Investments in fund products expose Man to market risk and therefore this process is subject to limits consistent with the Board's risk appetite. The largest single investment in fund products is $79 million (2016: $186 million). The market risk from seeding investments is modelled using a value at risk methodology using a 95% confidence interval and one-year time horizon. The value at risk is estimated to be $29 million at 31 December 2017 (2016: $72 million).

Fund investments for deferred compensation arrangements

At 31 December 2017, investments in fund products included $76 million (2016: $75 million) of fund products related to deferred compensation arrangements. Employees are subject to mandatory deferral arrangements and as part of these arrangements employees can elect to have their deferral in a designated selection of Man fund products. Changes in the fair value of the fund product awards are recognised over the relevant vesting period, which means the compensation expense changes based on the value of the fund products. The associated fund product investments are held to offset this change in compensation during the vesting period and at vesting the value of the fund investment is delivered to the employee. The fund product investments are recorded at fair value with any gains or losses during the vesting period recognised as income or gains on investments and other financial instruments in the Group income statement.

13.2. Consolidation of investments in funds

Seed capital invested into funds may at times be significant, and therefore the fund may be deemed to be controlled by the Group (Note 1). The fund is consolidated into the Group's results from the date control commences until it ceases. In 2017, nine (2016: 11) investments in funds have met the control criteria and have therefore been consolidated (Note 29), either classified as held for sale or consolidated on a line-by-line basis as detailed below.

Held for sale

Where the Group acquires the controlling stake and actively markets the products to third-party investors, allowing the Group to redeem their share, and it is considered highly probable that it will relinquish control within one year from the date of initial investment, the investment in the controlled fund is classified as held for sale. The seeded fund is recognised on the Group balance sheet as non-current assets and liabilities held for sale, with the interests of any other parties included within non-current liabilities held for sale. Amounts recognised are measured at the lower of the carrying amount and fair value less costs to sell.

The non-current assets and liabilities held for sale are as follows:

$m	**31 December 2017**	31 December 2016
Non-current assets held for sale	**145**	263
Non-current liabilities held for sale	**(66)**	(132)
Investments in fund products held for sale	**79**	131

Investments cease to be classified as held for sale when the fund is no longer controlled by the Group, at which time they are classified as financial assets at fair value through profit or loss (Note 13.1). Loss of control may eventuate through sale of the investment or a dilution in the Group's holding. If a held for sale fund remains under the control of the Group for more than one year, and it is unlikely that the Group will reduce or no longer control its investment in the short-term, it will cease to be classified as held for sale and will be consolidated on a line-by-line basis. Three investments in funds which were classified as held for sale in 2016 have been consolidated on a line-by-line basis for the year ended 31 December 2017 (2016: three held for sale funds at 31 December 2015).

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

13. Investments in fund products and other investments continued

Line-by-line consolidation

The investments relating to the five (2016: six) funds which are controlled and are consolidated on a line-by-line basis are included within the Group balance sheet and income statement as follows:

$m	31 December 2017	31 December 2016
Balance sheet		
Cash and cash equivalents	**23**	37
Transferable securities[1]	**452**	490
Fees and other receivables	**1**	–
Trade and other payables	**(174)**	(2)
Net assets of line-by-line consolidated fund entities	**302**	525
Third-party interest in consolidated funds	**(99)**	(240)
Net investment held by Man	**203**	285
Income statement		
Net gains on investments[2]	**57**	45
Management fee expenses[3]	**(9)**	(9)
Performance fee expenses[3]	**(5)**	(2)
Other costs[4]	**(2)**	(3)
Net gains of line-by-line consolidated fund entities	**41**	31
Third-party share of gains relating to interests in consolidated funds	**(14)**	(15)
Gains attributable to net investment held by Man	**27**	16

Notes:
1 Included within Investments in fund products and other investments.
2 Included within Income or gains on investments and other financial instruments.
3 Relates to management and performance fees paid by the funds to Man during the year, and are eliminated within gross management and other fees and performance fees, respectively, in the Group income statement. The management fees elimination includes $3 million (2016: $4 million) in relation to the third-party share of these investments and therefore represents externally generated management fees. The performance fee elimination includes $2 million (2016: $nil) in relation to third-party share which represents performance fees generated externally.
4 Includes $1 million (2016: $2 million) in relation to the third-party share of these investments and therefore represents costs incurred externally.

13.3. Loans to fund products

Loans to fund products are short-term advances primarily to Man guaranteed products, which are made to assist with the financing of the leverage associated with the structured products. The loans are repayable on demand and are carried at amortised cost using the effective interest rate method. The average balance during the year is $28 million (2016: $33 million). The liquidity requirements of guaranteed products together with commitments to provide financial support (Note 27) which give rise to loans to funds are subject to our routine liquidity stress testing and any liquidity requirements are met by available cash resources, or the syndicated revolving credit facility.

Loans to fund products expose Man to credit risk and therefore the credit decision making process is subject to limits consistent with the Board's risk appetite. The carrying value represents Man's maximum exposure to this credit risk. Loans are closely monitored against the assets held in the funds. The largest single loan to a fund product at 31 December 2017 is $12 million (2016: $4 million). Fund entities are not externally rated, however our internal modelling suggests that fund products have a probability of default that is equivalent to a credit rating of A.

13.4. Structured entities

Man has evaluated all exposures and concluded that where Man holds an investment, loan, fees receivable and accrued income, guarantee or commitment with an investment fund or a collateralised loan obligation, this represents an interest in a structured entity as defined by IFRS 10 'Consolidated financial statements'.

As with structured entities, investment funds are designed so that their activities are not governed by way of voting rights and contractual arrangements are the dominant factor in affecting an investor's returns. The activities of these entities are governed by investment management agreements or, in the case of a collateralised loan obligation, the indenture.

The key considerations in assessing whether the Group controls a structured entity, and therefore should be consolidated into the Group's financial statements, are outlined in Note 1. Consolidated structured entities are detailed in Note 13.2.

13. Investments in fund products and other investments continued

Man's maximum exposure to loss from unconsolidated structured entities is the sum total of any investment held, fee receivables, accrued income, and loans to the fund entities, and is $578 million for the year ended 31 December 2017 (2016: $420 million). Man's interest in and exposure to unconsolidated structured entities is as follows:

31 December 2017	Total FUM ($bn)	Less infrastructure mandates and consolidated fund entities[1] ($bn)	Total FUM unconsolidated structured entities ($bn)	Number of funds	Net management fee margin[2] (%)	Fair value of investment held ($m)	Fee receivables and accrued income ($m)	Loans to funds ($m)	Maximum exposure to loss ($m)
Alternative									
Absolute return	**29.2**	**0.2**	**29.0**	**129**	**1.38**	**64**	**181**	**–**	**245**
Total return	**16.5**	**–**	**16.5**	**45**	**0.56**	**105**	**21**	**–**	**126**
Multi-manager solutions	**16.0**	**7.7**	**8.3**	**80**	**0.45**	**2**	**15**	**–**	**17**
Long only									
Systematic	**26.8**	**0.1**	**26.7**	**104**	**0.36**	**1**	**75**	**–**	**76**
Discretionary	**20.4**	**0.1**	**20.3**	**49**	**0.67**	**61**	**26**	**–**	**87**
Guaranteed	**0.2**	**–**	**0.2**	**14**	**5.04**	**–**	**2**	**25**	**27**
Total	**109.1**	**8.1**	**101.0**	**421**		**233**	**320**	**25**	**578**

31 December 2016	Total FUM ($bn)	Less infrastructure mandates and consolidated fund entities[2] ($bn)	Total FUM unconsolidated structured entities ($bn)	Number of funds	Net management fee margin[2] (%)	Fair value of investment held ($m)	Fee receivables and accrued income ($m)	Loans to funds ($m)	Maximum exposure to loss ($m)
Alternative									
Absolute return	25.4	0.5	24.9	121	1.47	145	61	–	206
Total return	6.6	–	6.6	21	0.47	68	7	–	75
Multi-manager solutions	11.8	5.0	6.8	91	0.63	2	15	–	17
Long only									
Systematic	21.4	0.1	21.3	108	0.36	1	32	–	33
Discretionary	15.3	0.1	15.2	39	0.67	44	15	–	59
Guaranteed	0.4	–	0.4	25	4.28	–	4	26	30
Total	80.9	5.7	75.2	405		260	134	26	420

Notes:
1 For infrastructure mandates where we do not act as investment manager or advisor Man's role in directing investment activities is diminished and therefore these are not considered to be structured entities.
2 Net management fee margins are the categorical weighted average (see page 26). Performance fees can only be earned after a high water mark is achieved. For performance fee eligible funds, performance fees are within the range of 10% to 20%.

Support by way of loans provided to unconsolidated structured entities is detailed in Note 13.3, and is included within the maximum exposure to loss above. Furthermore, on occasion Man agrees to purchase illiquid investments from the funds at market rates in order to facilitate investor withdrawals. Man has not provided any other non-contractual support to unconsolidated structured entities. Further information about risks relating to investment funds can be found in Principal risks and mitigants on pages 33 to 35.

14. Fee and other receivables

$m	31 December 2017	31 December 2016
Fee receivables	**53**	30
Accrued income	**267**	114
Prepayments	**16**	14
Derivative financial instruments	**9**	2
Other receivables	**146**	97
	491	257

Fee and other receivables are initially recorded at fair value and subsequently measured at amortised cost using the effective interest rate method. Fee receivables and accrued income represent management and performance fees from fund products and are received in cash when the funds' net asset values are determined. The majority of fees are deducted from the NAV of the respective funds by the independent administrators and therefore the credit risk of fee receivables is minimal. No balances are overdue or delinquent at year end. The increase in accrued income in 2017 primarily relates to the increase in performance fee income which crystallised on 31 December 2017. Performance fees receivable at year end are $196 million (2016: $32 million).

14. Fee and other receivables continued

Details of derivatives used to hedge foreign exchange risk are included in Note 12. Other derivative financial instruments, which consist primarily of foreign exchange contracts, are measured at fair value through profit or loss. All derivatives are held with external banks with ratings of BBB+ (2016: BBB+) or higher and mature within one year. During the year, there were $1 million net realised and unrealised losses arising from derivatives (2016: $4 million gains). The notional value of all derivative financial assets is $262 million (2016: $58 million).

Other receivables principally includes balances relating to the Open Ended Investment Collective (OEIC) funds business, fund redemption proceeds and other deposits. For the OEIC funds businesses, Man acts as the intermediary for the collection of subscriptions due from customers and payable to the funds, and for redemptions receivable from funds and payable to customers. At 31 December 2017, the amount included in other receivables is $38 million (2016: $16 million). The unsettled fund payable is recorded in trade and other payables (Note 15). Other receivables includes $11 million relating to fund disposal proceeds (2016: $1 million). At 31 December 2017, $8 million (2016: $8 million) of other receivables are expected to be settled after 12 months.

15. Trade and other payables

$m	31 December 2017	31 December 2016
Accruals	**334**	253
Trade payables	**3**	3
Contingent consideration	**243**	161
Derivative financial instruments	**10**	22
Other payables	**253**	208
	843	647

Accruals primarily relate to compensation accruals. Contingent consideration relates to the amounts payable in respect of acquisitions (Note 25). Other payables include the remaining October 2017 announced share repurchase liability of $74 million (2016: $65 million), as detailed in Note 20, payables relating to the OEIC funds business of $35 million (2016: $17 million) and servicing fees payable to distributors.

Details of derivatives used to hedge foreign exchange risk are included in Note 12. The notional value of derivative financial liabilities at 31 December 2017 is $388 million (2016: $334 million). All derivative contracts mature within one year.

The other payables balance in 2017 includes $52 million relating to the third-party share of payables for line-by-line consolidated funds, largely as a result of the December 2017 compulsory redemption for our largest seeding position by all investors (Note 13.2).

Trade and other payables are initially recorded at fair value and subsequently measured at amortised cost. Included in trade and other payables at 31 December 2017 are balances of $213 million (2016: $155 million) which are expected to be settled after more than 12 months, which largely relate to contingent consideration. Man's policy is to meet its contractual commitments and pay suppliers according to agreed terms.

16. Provisions

$m	Onerous property lease contracts	Litigation	Restructuring	Other	Total
As 1 January 2017	**27**	**24**	**–**	**–**	**51**
Charged/(credited) to the income statement:					
Charge in the year	**6**	**–**	**4**	**4**	**14**
Unused amounts reversed	**–**	**(24)**	**–**	**–**	**(24)**
Exchange difference	**3**	**–**	**–**	**–**	**3**
Used during the year/settlements	**(6)**	**–**	**(4)**	**–**	**(10)**
At 31 December 2017	**30**	**–**	**–**	**4**	**34**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. All provisions are current, other than onerous property lease contracts as outlined below, given the Group does not have the unconditional right to defer settlement. Provisions for restructuring are recognised when the obligation arises, following communication of the formal plan.

The $6 million charge for onerous property lease contracts is included within other costs as detailed in Note 5. Provisions for onerous property lease contracts represent the present value of the future lease payments that the Group is presently obliged to make under non-cancellable onerous operating lease contracts, less the future benefit expected to be generated from these, including sub-lease revenue where applicable. The unexpired terms of the onerous leases range from one to 18 years, with all onerous property lease contracts therefore non-current.

The credit of $24 million in relation to litigation provisions is as a result of the reassessment of the Group's exposure to claims and other settlements.

17. Investments in associates

Associates are entities in which Man holds an interest and over which it has significant influence but not control, and are accounted for using the equity method. In assessing significant influence Man considers the investment held and its power to participate in the financial and operating policy decisions of the investee through its voting or other rights. Further details of Man's equity investment holdings are included in Note 29.

Under the equity method associates are carried at cost plus (or minus) our share of cumulative post-acquisition movements in undistributed profits (or losses). Gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interests in these entities. An impairment assessment of the carrying value of associates is performed annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, and any impairment is expensed in the Group income statement.

Man's investments in associates are as follows:

	Year ended 31 December 2017			Year ended 31 December 2016		
$m	**Nephila Holdings Ltd**	**Other**	**Total**	Nephila Holdings Ltd	Other	Total
At beginning of the year	**30**	**1**	**31**	28	2	30
Share of post-tax profit/(loss)	**7**	**1**	**8**	3	(1)	2
Dividends received	**(8)**	**–**	**(8)**	(1)	–	(1)
Sale of investment in associate	**–**	**(2)**	**(2)**	–	–	–
At year end	**29**	**–**	**29**	30	1	31

Nephila Holdings Limited is an alternative investment manager based in Bermuda specialising in the management of funds which underwrite natural catastrophe reinsurance and invest in insurance-linked securities and weather derivatives. Man has not provided any financial support to associates during the year to 31 December 2017 (2016: nil).

Commission income relating to sales of Nephila Holdings Limited products totalled $4 million for the year ended 31 December 2017 (2016: $12 million), an arrangement which ceased during the year, and is included within gross management and other fees in the Group income statement.

18. Leasehold improvements and equipment

	Year ended 31 December 2017			Year ended 31 December 2016		
$m	**Leasehold improvements**	**Equipment**	**Total**	Leasehold improvements	Equipment	Total
Net book value at beginning of the year	**29**	**15**	**44**	32	12	44
Additions	**5**	**7**	**12**	3	8	11
Depreciation expense	**(6)**	**(6)**	**(12)**	(6)	(5)	(11)
Net book value at year end	**28**	**16**	**44**	29	15	44

All leasehold improvements and equipment are recorded at cost less depreciation and impairment. Cost includes the original purchase price of the asset and costs directly attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated using the straight-line method over the asset's estimated useful life, which for leasehold improvements is over the shorter of the life of the lease and the improvement (up to 24 years) and for equipment is between three and ten years.

19. Deferred compensation arrangements

Man operates equity-settled share-based payment schemes as well as fund product based compensation arrangements.

For compensation plans whereby deferred compensation is invested in fund products managed by Man, the fair value of the employee services received in exchange for the fund units is recognised as an expense over the vesting period, with a corresponding liability. The total amount to be expensed is determined by reference to the fair value of the awards, which is remeasured at each reporting date, and equates to the fair value of the underlying fund products at settlement date.

During the year, $59 million (2016: $55 million) relating to share-based payment and deferred fund product plans is included within compensation costs (Note 4), consisting of share-based payments of $19 million (2016: $18 million) and deferred fund product plans of $40 million (2016: $37 million). The unamortised deferred compensation at year end is $51 million (2016: $43 million) and has a weighted average remaining vesting period of 2.2 years (2016: 1.9 years).

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

19. Deferred compensation arrangements continued

19.1 Employee Trusts

The Employee Trusts have the obligation to deliver shares, options and fund product based payments which have been granted to employees. Man contributed funds of $22 million in 2017 (2016: $38 million) in order for the Trusts to meet their current period obligations.

The Employee Trusts are fully consolidated into Man and shares held are treated as treasury shares for EPS purposes (Note 8). The shares held by the Employee Trusts are deducted from Tier 1 Capital (Note 20). The Employee Trusts are controlled by independent trustees and their assets are held separately from those of Man. At 31 December 2017, the net assets of the Employee Trusts amounted to $73 million (2016: $69 million). These assets include 20,272,423 (2016: 19,614,073) ordinary shares in the Company, $10 million notional value options over Man shares (2016: $10 million), and $25 million of fund units (2016: $24 million) to deliver against the future obligations. The shares are recorded at cost and shown as a deduction from shareholders' funds. During the year the trustees of one of the Employee Trusts waived all of the interim dividend for the year ended 31 December 2017 on each of the 19,455,899 ordinary shares registered in its name at the relevant date for eligibility for the interim dividend (2016 interim dividend: waived on all 20,732,057 shares) and all of the final dividend for the year ended 31 December 2016 on each of 19,278,617 of the ordinary shares registered in its name at the relevant date for eligibility for the final dividend (2015 final dividend: waived on all 21,180,272 shares).

19.2 Share-based payments

Share-based payments are remuneration payments to selected employees that take the form of an award of shares in Man Group plc. Awards typically vest over three years, although conditions vary between different types of award. In respect of equity-settled share-based payment schemes, the fair value of the employee services received in exchange for the share awards and options granted is recognised as an expense, with the corresponding credit being recognised in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards and options at grant date. The fair value of the share awards and options granted in exchange for employee services is calculated using the Black-Scholes valuation model that takes into account the effect of both financial and demographic assumptions. Forfeiture and early vesting are based on historical observable data. Changes to the original estimates, if any, are included in the Group income statement, with a corresponding adjustment to equity.

Share options

The fair values of share options granted in the year under the Sharesave share option scheme, and the assumptions used in the calculations, are as follows:

Grant date	12/09/2017	15/09/2016
Weighted average share price at grant date ($)[1]	2.2	1.5
Weighted average exercise price at grant date ($)[2]	1.7	1.2
Share options granted in the period	1,899,586	3,589,100
Vesting period (years)	3–5	3–5
Expected share price volatility (%)	45	45
Dividend yield (%)	6	6
Risk-free rate (%)	0.3	0.2
Expected option life (years)	3.3	3.3
Number of options assumed to vest	1,447,617	2,732,645
Average fair value per option granted ($)	0.5	0.4

Notes:
1 Sterling share price each year of £1.67 and £1.16, respectively.
2 Sterling exercise price each year of £1.32 and £0.90, respectively.

The expected share price volatility is based on historical volatility over the past ten years. The expected option life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon US and UK (where appropriate) government bonds of a term consistent with the assumed option life.

Movements in the number of share options outstanding are as follows:

	Year ended 31 December 2017		Year ended 31 December 2016	
	Number	**Weighted average exercise price ($ per share)**	Number	Weighted average exercise price ($ per share)
Share options outstanding at beginning of the year	**44,997,029**	**3.6**	46,035,268	4.3
Granted	**1,899,586**	**1.8**	3,589,100	1.2
Forfeited	**(780,814)**	**1.3**	(1,571,532)	1.9
Expired	**(9,678)**	**2.8**	(2,704,615)	2.5
Exercised	**(1,647,342)**	**1.1**	(351,192)	1.2
Share options outstanding at year end	**44,458,781**	**3.7**	44,997,029	4.2
Share options exercisable at year end	**38,924,702**	**4.0**	38,830,924	4.7

19. Deferred compensation arrangements continued

The share options outstanding at year end have a weighted average exercise price and expected remaining life as follows:

	31 December 2017			31 December 2016		
Range of exercise prices ($ per share)	**Number of share options**	**Weighted average exercise price ($ per share)**	**Weighted average expected remaining life**	Number of share options	Weighted average exercise price ($ per share)	Weighted average expected remaining life
1.01–5.00	**44,458,781**	**3.7**	**2.9**	44,997,029	4.2	3.8

Share awards

The fair values of share awards granted in the year and the assumptions used in the calculations are as follows:

Deferred share plan		
Grant dates	1/3/2017 – 20/12/2017	10/3/2016 – 15/12/2016
Share awards granted in the year	14,115,446	9,842,529
Average fair value per share award granted ($)	1.8	2.1

Deferred Executive Incentive Plan		
Grant dates	13/3/2017	10/3/2016
Share awards granted in the year	904,273	1,322,497
Average fair value per share award granted ($)	1.8	2.2

Movements in the number of share awards outstanding are as follows:

	Year ended 31 December 2017 Number	Year ended 31 December 2016 Number
Share awards outstanding at beginning of the year	**22,523,365**	24,261,290
Granted	**15,019,719**	11,165,026
Forfeited	**(677,853)**	(2,309,994)
Exercised	**(8,227,320)**	(10,592,957)
Share awards outstanding at year end	**28,637,911**	22,523,365
Share awards exercisable at year end	**447,775**	650,191

20. Capital management

Details of the Group's capital management and dividend policy are provided within the Chief Financial Officer's Review on pages 28 and 29.

Share capital and capital reserves

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Own shares held through the Employee Trusts (Note 19) are recorded at cost, including any directly attributable incremental costs (net of tax), and are deducted from equity attributable to the Company's equity holders until the shares are transferred to employees or sold. Where such shares are subsequently sold, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the Company's equity holders.

Ordinary shares

Ordinary shares have a par value of $3^{3/7}$ US cents per share (2016: $3^{3/7}$ US cents per share) and represent 99.9% of issued share capital. All issued shares are fully paid. The shares have attached to them full voting, dividend and capital distribution (including on wind up) rights. They do not confer any rights of redemption. Ordinary shareholders have the right to receive notice of, attend, vote and speak at general meetings. A holder of ordinary shares is entitled to one vote per ordinary share held when a vote is taken on a poll and one vote only when a vote is taken on a show of hands.

During the year ended 31 December 2017 $92 million (2016: $35 million) of shares were repurchased at an average price of 154.6 pence (2016: 119.7 pence), buying back 46.4 million shares (2016: 23.5 million shares), which had an accretive impact on EPS (Note 8) of 1.7% (2016: increased the statutory loss per share by 0.1%). This relates to the completion of the remaining $65 million of the share repurchase announced in October 2016, as well as the partial completion of $27 million of the anticipated $100 million share repurchase (plus costs of $1 million) announced in October 2017. As at 27 February 2018, Man Group had an unexpired authority to repurchase up to 217,850,114 of its ordinary shares. A special resolution will be proposed at the forthcoming Annual General Meeting (AGM), pursuant to which the Company will seek authority to repurchase up to 163,339,181 of its ordinary shares, representing 10% of the issued share capital at 27 February 2018.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

20. Capital management continued

Deferred sterling shares

50,000 unlisted deferred sterling shares, representing 0.1% of the Company's issued share capital with a par value of £1 per share, were issued due to the redenomination of the ordinary share capital into USD. These shares are necessary for the Company to continue to comply with Section 763 of the Companies Act 2006. The deferred sterling shares are freely transferable and have no rights to participate in the profits of the Company, to attend, speak or vote at any general meeting and no right to participate in any distribution in a winding up except for a return of the nominal value in certain limited circumstances.

Issued and fully paid share capital

	Year ended 31 December 2017			Year ended 31 December 2016		
	Ordinary shares Number	**Unlisted deferred sterling shares Number**	**Nominal value $m**	Ordinary shares Number	Unlisted deferred sterling shares Number	Nominal value $m
At 1 January	**1,679,920,894**	**50,000**	**58**	1,700,811,013	50,000	59
Purchase and cancellation of own shares	**(46,427,274)**	**–**	**(2)**	(23,474,213)	–	(1)
Issue of ordinary shares: Partnership Plans and Sharesave	**4,448,807**	**–**	**–**	2,584,094	–	–
Issue of shares relating to acquisition of Aalto (Note 10)	**5,650,862**	**–**	**–**	–	–	–
At 31 December	**1,643,593,289**	**50,000**	**56**	1,679,920,894	50,000	58

21. Pension

Man operates 12 (2016: 12) defined contribution plans and two (2016: two) funded defined benefit plans.

Defined contribution plans

Man pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Man has no further payment obligation once the contributions have been paid. Defined contribution pension costs totalled $8 million for the year to 31 December 2017 (2016: $10 million) and are recognised as pension costs in the Group income statement when they are due.

Defined benefit plans

A defined benefit plan creates a financial obligation to provide funding to the pension plan to provide a retired employee with pension benefits usually dependent on one or more factors such as age, years of service and compensation. As with the vast majority of similar arrangements, Man ultimately underwrites the risks related to the defined benefit plans. The risks that this exposes Man to include:

- Uncertainty in benefit payments: The value of Man's liabilities for post-retirement benefits will ultimately depend on the amount of benefits paid out. This in turn will depend on the level of inflation (for those benefits that are subject to some form of inflation protection) and how long individuals live.
- Volatility in asset values: Man is exposed to future movements in the values of assets held in the plans to meet future benefit payments.
- Uncertainty in cash funding: Movements in the values of the obligations or assets may result in Man being required to provide higher levels of cash.

The two defined benefit plans operated are the Man Group plc Pension Fund in the UK (the UK Plan) and the Man Group Pension Plan in Switzerland (the Swiss Plan). At 31 December 2017, the UK plan comprised 93% (31 December 2016: 93%) of the Group's total defined benefit pension obligations.

The UK Plan is operated separately from Man and managed by independent trustees. The trustees are responsible for payment of the benefits and management of the UK Plan's assets. Under UK regulations, Man and the trustees of the UK Plan are required to agree a funding strategy and contribution schedule for the UK Plan.

21. Pension continued

In order to maintain flexibility with regards to the funding of the UK Plan, Man set up the Man Group Reservoir Trust (the Reservoir Trust) in 2010. Man contributed $76 million (£50 million) of assets to the Reservoir Trust on 31 March 2010 and has committed to ensure the Reservoir Trust value remains at least £69 million from 1 April 2013 or at the level of the funding deficit in the UK Plan, if lower. The Reservoir Trust gave the pension trustees comfort that Man could fund a deficit at 31 December 2017 and in the event that the UK Plan was fully funded, allowed Man to recover the assets so that the UK Plan was not over funded.

The Reservoir Trust is treated as an asset of the UK Plan as: (1) the Reservoir Trust is legally separate from Man and exists solely to fund employee benefits; (2) the assets of the Reservoir Trust are passed to the UK Plan in the event of any default or insolvency situation, such that they are not available to Man's creditors; and (3) the funding position of the UK Plan is in deficit.

The Reservoir Trust assets are due to be transferred to the Man Group plc Pension Fund before 31 March 2018.

The latest funding valuation of the UK Plan was carried out by independent qualified actuaries as at 31 December 2014 and indicated a deficit of £11 million, after including £59m of assets in the Reservoir Trust. To remove the funding deficit, Man agreed to make a cash payment of £11.8m to the UK Plan during 2015 along with a further payment in March 2018 from the Reservoir Trust to cover any remaining funding deficit. No cash contributions were made to the UK Plan in the year to 31 December 2017. A funding update as at 31 December 2017 will be available later in 2018. The assets of the Reservoir Trust may be required to cover any remaining funding deficit. If following this payment there is still a funding deficit and therefore the UK Plan assets are insufficient to pay the benefits due, Man may need to make further contributions.

The actuarial valuation with an effective date of 31 December 2017 is currently underway. As part of this valuation, a new recovery plan may be agreed.

For the UK Plan, the Group has concluded that it has no requirement to adjust the balance sheet to recognise either a current surplus or a minimum funding requirement on the basis that the Group has an unconditional right to a refund of a current or projected future surplus at some point in the future.

For the Swiss Plan, there is an asset restriction at the 2017 year end. The Swiss Plan holds some of its assets in an "employer contribution reserve", which can be used to reduce the Group's future contributions into the Plan. As the employer contribution reserve is less than the measured surplus as at 31 December 2017, the surplus has been restricted to the value of the employer contribution reserve.

The UK Plan was closed to new members in May 1999 and to future accrual in May 2011. Employed members of the UK Plan retain enhanced benefits, including a link to salary, on their accrued benefits in the Plan. Future benefits are provided via a defined contribution plan.

In Switzerland, the Group operates a retirement foundation with assets which are held separately from the Group. This foundation covers the majority of employees in Switzerland and provides benefits on a cash balance basis.

Each employee has a retirement account to which the employee and the Group make contributions at rates set out in the plan rules based on a percentage of salary. Every year the pension fund commission (composed of employer and employee representatives) decides the level of interest, if any, to apply to retirement accounts based on their agreed policy. At retirement an employee can take their retirement account as a lump sum or have this paid as a pension.

The amounts recognised in the Group balance sheet are determined as follows:

$m	**31 December 2017**	31 December 2016
Present value of funded obligations	**(464)**	(426)
Fair value of plan assets	**499**	455
Surplus	**35**	29
Amount not recognised due to asset ceiling – Swiss Plan (see above)	**(3)**	(2)
Net pension asset in the Group balance sheet at year end	**32**	27

The increase in the net pension asset from 31 December 2016 to 31 December 2017 is driven by the UK Plan, largely as a result of assets performing above the liability growth rate (discount rate) and changes to the expected mortality rates, partially offset by a decrease in the discount rate assumption (due to a fall in corporate bond yields).

Our economic capital model includes capital in respect of a possible deficit in the pension plans.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

21. Pension continued

Pensions: actuarial information

Changes in the present value of the defined benefit obligations are as follows:

$m	Year ended 31 December 2017	Year ended 31 December 2016
Present value of funded obligations at beginning of the year	**426**	422
Currency translation difference	**38**	(66)
Current service cost (employer portion)	**2**	2
Interest cost	**11**	13
Employee contributions	**1**	1
Remeasurements due to:		
– changes in financial assumptions	**15**	76
– changes in demographic assumptions	**(8)**	1
– experience adjustments	**–**	(1)
Actual benefit payments	**(18)**	(16)
Past service costs	**–**	–
Curtailments and settlements	**(3)**	(6)
Present value of funded obligations at year end	**464**	426

Changes in the fair value of plan assets are as follows:

$m	Year ended 31 December 2017	Year ended 31 December 2016
Fair value of plan assets at beginning of the year	**455**	471
Currency translation difference	**40**	(75)
Interest income on plan assets	**12**	15
Actual return on plan assets less interest on plan assets	**11**	60
Employer contributions/(repayments)	**–**	3
Employee contributions	**1**	1
Benefits paid	**(18)**	(16)
Assets distributed on curtailments and settlements	**(2)**	(4)
Fair value of plan assets at year end	**499**	455

The plan assets primarily relate to investments in bonds, liability-driven investments (LDIs) and diversified growth funds.

The change in the net asset/(liability) recognised on the Group balance sheet is as follows:

$m	Year ended 31 December 2017	Year ended 31 December 2016
Net pension asset at start of the year	**27**	48
Total pension credit	**–**	2
Amount recognised outside profit and loss	**3**	(17)
Employer contributions	**–**	3
Currency translation difference	**2**	(9)
Net pension asset at end of the year	**32**	27

The amounts recognised in the Group income statement are as follows:

$m	Year ended 31 December 2017	Year ended 31 December 2016
Current service cost (employer portion)	**2**	2
Interest on net pension asset	**(1)**	(2)
Past service cost/(credit)	**–**	–
Gains on settlement/curtailment	**(1)**	(2)
Total credit	**–**	(2)

The $1 million (2016: $2 million) gains on settlement/curtailment credit in 2017 relates to the restructuring and has been classified as an adjusting item (page 148).

There are no contributions expected to be paid during the year ending 31 December 2018.

21. Pension continued

The amounts recognised in other comprehensive income are as follows:

$m	Year ended 31 December 2017	Year ended 31 December 2016
Net actuarial gains/(losses) in the year due to:		
– changes in financial assumptions	**(15)**	(76)
– changes in demographic assumptions	**8**	(1)
– experience adjustments on benefit obligations	**–**	1
Actual return on plan assets less interest on plan assets	**11**	60
Adjustment to recognise the effect of the asset ceiling	**(1)**	(1)
Amount recognised in other comprehensive income	**3**	(17)

The most significant actuarial assumptions used in the valuations of the two plans are:

	UK Plan		Swiss Plan	
	31 December 2017 % p.a.	31 December 2016 % p.a.	31 December 2017 % p.a.	31 December 2016 % p.a.
Discount rate	**2.4**	2.6	**0.8**	0.8
Price inflation	**3.3**	3.3	**1.3**	1.2
Future salary increases	**3.3**	3.3	**1.3**	1.2
Interest crediting rate	**–**	–	**0.8**	0.8
Social security increases	**–**	–	**1.0**	1.0
Pension in payment increases	**3.7**	3.7	**–**	–
Deferred pensions increases	**5.0**	5.0	**–**	–

At 31 December 2017, mortality rates in the UK Plan are assumed to be in line with 100% of the S2NA Light tables for all members with pensions of more than £50,000 pa at 31 December 2014 and S2NA tables for all other members (2016: same as at 31 December 2017). These mortality tables are assumed to be projected by year of birth with allowance for future improvements in longevity in line with the 2016 CMI projections with a long term rate of improvement of 1.25% pa for males and females (2016: projected by year of birth with allowance for future improvements in longevity in line with the 2015 CMI projections with a long term rate of improvement of 1.25% pa for males and females).

At 31 December 2017 and 31 December 2016 the mortality rates in the Swiss Plan are assumed to be in line with the Swiss BVG 2015 generational tables.

Illustrative life expectancies are set out in the table below (the UK Plan life expectancies are based on the S2NA tables).

	UK Plan		Swiss Plan	
Years	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Life expectancy of male aged 60 at accounting date	**27.0**	27.2	**27.2**	27.1
Life expectancy of male aged 60 in 20 years	**28.5**	29.0	**29.1**	29.0
Life expectancy of female aged 60 at accounting date	**29.0**	29.4	**29.4**	29.3
Life expectancy of female aged 60 in 20 years	**30.6**	31.4	**31.3**	31.2

The table below illustrates the impact on the assessed value of the benefit obligations from changing the actuarial assumptions (in isolation). The calculations to produce the below figures have been carried out using the same method and data as Man's pension figures. Each assumption has been varied individually and a combination of changes in assumptions could produce a different result.

As at 31 December 2017:

	UK Plan	Swiss Plan
$m	Increase in obligation	
Discount rate decreased by 0.1% p.a.	**8**	**1**
Inflation rate increased by 0.1% p.a.	**2**	**–**
One year increase in assumed life expectancy	**15**	**1**

The duration of a pension plan is the average term over which the plan's benefits are expected to fall due, weighted by the present value of each expected benefit payment. The duration of the UK Plan is approximately 18 years, and the duration of the Swiss Plan is approximately 22 years.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

21. Pension continued

The assets held by the two plans as at 31 December 2017 are as follows:

	UK Plan		Swiss Plan	
	$m	%	$m	%
Swiss equities	**–**	–	**3**	9
Non-Swiss equities	**–**	–	**6**	17
Index-linked government bonds	**45**	10	**–**	–
Absolute return bonds	**49**	10	**–**	–
Swiss bonds	**–**	–	**5**	13
Non-Swiss bonds	**–**	–	**7**	21
Property	**–**	–	**4**	11
Hedge funds	**–**	–	**1**	1
LDI	**121**	26	**–**	–
Diversified growth funds	**106**	23	**–**	–
Cash	**46**	10	**9**	24
Other	**–**	–	**2**	4
Reservoir Trust (fund of hedge funds)	**95**	21	**–**	–
Total assets	**462**	100	**37**	100

The plans do not invest directly in property occupied by Man or in Man's own transferable financial securities.

The UK Plan's investment strategy is set by the trustees of the plan. The current strategy is broadly split into "growth" and "matching" portfolios. The growth portfolio is invested in diversified growth funds. The matching portfolio is invested primarily in government and corporate bonds (the latter through the "Absolute return bonds" holding), and liability driven investment ("LDI") funds.

The government bond assets and diversified growth funds have prices quoted in active markets and the absolute return bonds and LDI are primarily unquoted. At 31 December 2017, around 65% of the plan assets relate to those with quoted prices and 35% with unquoted prices (2016: around 65% quoted and 35% unquoted). The actual return on plan assets for the year to 31 December 2017 was $23 million (2016: $75 million).

Part of the investment objective of the UK Plan is to minimise fluctuations in the plan's funding levels due to changes in the value of the liabilities. This is primarily achieved through the use of the LDI funds, whose main goal is to hedge movements in the liabilities due to changes in interest rate and inflation expectations. The current investment strategy aims to hedge around 100% of the movement in the "technical provisions" funding measure, as opposed to the IAS19 accounting measure, due to both interest rate and inflation expectation changes.

LDI primarily involves the use of government bonds (including re-purchase agreements) and derivatives such as interest rate and inflation swaps. There are no annuities or longevity swaps. These instruments are typically priced and collateralised daily by the UK Plan's LDI manager and / or central clearing houses. Given that the purpose of LDI is to hedge corresponding liability exposures, the main risk is that the investments held move differently to the liability exposures. This risk is managed by the Trustees, their advisers and the UK Plan's LDI manager, who regularly assess the position.

As the Swiss Plan is essentially a defined contribution plan with guarantees, the assets held aim to be at least as much as the total of the member account balances at any point in time. Member account balances cannot reduce, but interest is only applied to the account balances when sufficient surplus assets are available. As such there is no specific asset/liability matching strategy in place, but if the liabilities (the sum of the member account balances) ever exceed the value of the assets, the Company will consider how to remove a deficit as quickly as possible.

22. Segmental analysis

The criteria for identifying an operating segment is that it is a component of Man whose results are regularly reviewed by the Board and the Senior Management Executive Committee to make decisions about resources to be allocated to the segment and to assess its performance. Management information regarding revenues, gross management fee margins, investment performance and distribution costs relevant to the operation of the investment managers, products and the investor base are reviewed by the Board and the Senior Management Executive Committee. A centralised shared infrastructure for operations, product structuring, distribution and support functions for each of the five investment managers which Man incorporates (AHL, GLG, FRM, Numeric and GPM) means that operating costs are not allocated to constituent parts of the investment management business. As a result, performance is assessed, resources are allocated and other strategic and financial management decisions are determined by the Board and the Senior Management Executive Committee on the basis of the investment management business of Man as a whole. Accordingly, we operate and report as a single segment investment management business, together with relevant information regarding FUM flows, gross margins and distribution costs, to allow for analysis of the direct contribution of products and the respective investor base.

23. Geographical disclosure

$m	Year ended 31 December 2017 Revenues by fund location	Year ended 31 December 2017 Non-current assets	Year ended 31 December 2016 Revenues by fund location	Year ended 31 December 2016 Non-current assets
Cayman Islands	**428**	**–**	297	1
Ireland	**198**	**–**	155	–
United Kingdom and the Channel Islands	**110**	**153**	109	74
United States of America	**127**	**865**	90	941
Other countries	**205**	**102**	176	100
	1,068	**1,120**	827	1,116

Disclosure of revenue by geographic location is based on the registered domicile of the fund entity paying Man fees. Revenue from any single fund during the year did not exceed 10% of total revenues. Non-current assets are allocated based on where the assets are located, and include investments in associates, leasehold improvements and equipment, and goodwill and other intangible assets.

24. Foreign currencies

The majority of revenues, assets, liabilities and financing are denominated in USD and therefore Man's presentation currency is USD.

For consolidated entities with a USD functional currency, monetary assets and liabilities denominated in foreign currencies are translated at each balance sheet date rate. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated. Transactions denominated in foreign currencies are converted at the spot rate at the date of the transaction or, if appropriate, the average rate for the month in which the transaction occurs. Resulting exchange differences are recognised in the Group income statement.

For consolidated entities that have a functional currency other than USD, the assets and liabilities are translated into USD at the balance sheet date rate. Income and expenses are translated at the average rate for the period in which the transactions occur. Resulting exchange differences are recorded in other comprehensive income.

25. Fair value of financial assets/liabilities

Man discloses the fair value measurement of financial assets and liabilities using three levels, as follows:
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of financial assets and liabilities can be analysed as follows:

	31 December 2017				31 December 2016			
$m	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Financial assets held at fair value:								
Investments in fund products and other investments (Note 13)	**3**	**137**	**112**	**252**	3	207	68	278
Investments in line-by-line consolidated funds (Note 13)	**–**	**452**	**–**	**452**	–	490	–	490
Derivative financial instruments (Note 14)	**–**	**9**	**–**	**9**	–	2	–	2
	3	**598**	**112**	**713**	3	699	68	770
Financial liabilities held at fair value:								
Derivative financial instruments (Note 15)	**–**	**10**	**–**	**10**	–	22	–	22
Contingent consideration (Note 15)	**–**	**–**	**243**	**243**	–	–	161	161
	–	**10**	**243**	**253**	–	22	161	183

During the year, there were no significant changes in the business or economic circumstances that affected the fair value of Man's financial assets and no significant transfers of financial assets or liabilities held at fair value between categories. For investments in fund products, Level 2 investments comprise holdings primarily in unlisted, open-ended, active and liquid funds, such as seeding investments, which have daily or weekly pricing derived from third-party information.

A transfer into Level 3 would be deemed to occur where the level of prolonged activity, as evidenced by subscriptions and redemptions, is deemed insufficient to support a Level 2 classification. This, as well as other factors such as a deterioration of liquidity in the underlying investments, would result in a Level 3 classification. The material holdings within this category are priced on a recurring basis based on information supplied by third-parties, with a liquidity premium adjustment applied based on the expected timeframe for exit. Reasonable changes in the liquidity premium assumptions would not have a significant impact on the fair value.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

25. Fair value of financial assets/liabilities continued

The fair values of non-current assets and liabilities held for sale (Note 13.2) are equal to the carrying values of $145 million (2016: $263 million) and $66 million respectively (2016: $132 million), and would be classified within Level 2. The fair value of borrowings (Note 12) is $156 million (2016: $157 million) and would have been classified as Level 1.

The basis of measuring the fair value of Level 3 investments is outlined in Note 13.1. The movements in Level 3 financial assets and financial liabilities measured at fair value are as follows:

$m	Year ended 31 December 2017: Financial assets at fair value through profit or loss	Year ended 31 December 2017: Financial liabilities at fair value through profit or loss	Year ended 31 December 2016: Financial assets at fair value through profit or loss	Year ended 31 December 2016: Financial liabilities at fair value through profit or loss
Level 3 financial assets/(liabilities) held at fair value				
At beginning of the year	**68**	**(161)**	62	(206)
Assets reclassified from held for sale	**–**	**–**	11	–
Purchases/(losses)	**47**	**(52)**	8	–
Total gains/(losses) in the Group statement of comprehensive income	**5**	**(41)**	1	20
Profit/(loss) included in income statement	**5**	**(41)**	1	20
Included in other comprehensive income	**–**	**–**	–	–
Sales or settlements	**(8)**	**11**	(14)	25
At year end	**112**	**(243)**	68	(161)
Total gains/(losses) for the year included in the Group statement of comprehensive income for assets/(liabilities) held at year end	**5**	**(41)**	1	20

The financial liabilities in Level 3 primarily relate to the contingent consideration payable to the former owners of Numeric and Aalto, with the other contingent consideration relating to smaller acquisitions including FRM, Pine Grove, and BAML fund of funds.

	Year ended 31 December 2017				Year ended 31 December 2016		
$m	Numeric	Aalto	Other	Total	Numeric	Other	Total
Contingent consideration payable							
At beginning of the year	**150**	**–**	**11**	**161**	164	42	206
Purchases	**–**	**52**	**–**	**52**	–	–	–
Revaluation of contingent consideration	**15**	**1**	**(1)**	**15**	(28)	(12)	(40)
Unwind of contingent consideration discount (Note 6)	**18**	**7**	**1**	**26**	18	1	19
Finance expense	**–**	**–**	**–**	**–**	–	1	1
Sales or settlements	**(8)**	**–**	**(3)**	**(11)**	(4)	(21)	(25)
At year end	**175**	**60**	**8**	**243**	150	11	161

The revaluation of contingent consideration in the Group income statement is an adjustment to the fair value of expected acquisition earn-out payments. The $15 million increase in the fair value of contingent consideration is largely as a result of better than expected Numeric performance during 2017. The $28 million reduction in the fair value of the Numeric contingent consideration in 2016 was largely due to a decrease in the forecast management fees on long only products and net inflows.

The Numeric contingent consideration relates to an ongoing 18.3% equity interest of Numeric management in the business and profit interests of 16.5%, pursuant to a call and put option arrangement. The call and put option structure means that it is virtually certain that Man will elect to, or be obliged to, purchase the interests held by Numeric management at five (call option) or five and a half (put option) years post-closing (5 September 2014). The maximum aggregate amount payable by Man in respect of the option consideration is capped at $275 million.

The Aalto contingent consideration is dependent on levels of run rate management fees measured following one, four, six and eight years from completion. The maximum aggregate amount payable by Man is capped at $207 million.

The fair values are based on discounted cash flow calculations, which represent the expected future profits of each business as per the earn-out arrangements. The fair values are determined using a combination of inputs, such as weighted average cost of capital, net management fee margins, performance, operating margins and the growth in FUM, as applicable. The post-tax discount rates applied are 11% for management fees and 17% for performance fees for Numeric and Other, and 15% for Aalto.

The most significant inputs into the valuations at 31 December 2017 are as follows:

	Numeric	Aalto
Weighted average net management fee margin (over the remaining earn-out period)	**0.4%**	**0.8%**
Compound growth in average FUM (over the remaining earn-out period)	**7%**	**19%**

25. Fair value of financial assets/liabilities continued

Changes in inputs would result in the following increase/(decrease) in the fair value of the contingent consideration creditor at 31 December 2017, with a corresponding (expense)/gain in the Group income statement:

	Numeric	**Aalto**
Weighted average net management fee margin		
0.1% increase	**51**	**6**
0.1% decrease	**(51)**	**(10)**[1]
Compound growth in average FUM		
1% increase	**6**	**4**
1% decrease	**(6)**	**(3)**

Note:
1 Any increase in net management fee margins would have less of an impact on the contingent consideration given the calculation is close to the maximum capped earn-out for the year 1 payment.

26. Related party transactions

Related parties comprise key management personnel, associates and fund entities which Man is deemed to control. All transactions with related parties were carried out on an arm's length basis.

Refer to Note 17 for details of income earned from associates. Management fees earned from fund entities in which Man holds a controlling interest are detailed in Note 13. Contingent consideration payable to Numeric and Aalto management is detailed in Note 25.

The Executive Committee, together with the non-executive directors, are considered to be the Group's key management, being those directors, partners and employees having authority and responsibility for planning, directing and controlling the activities at Man. The average key management headcount for the year ended 31 December 2017 has increased by around 3% from 2016.

Key management compensation	**Year ended 31 December 2017 $'000**	Year ended 31 December 2016 $'000
Salaries and other short-term employee benefits[1]	**42,456**	24,263
Share-based payments	**8,636**	7,114
Fund product based payment charge	**7,743**	9,589
Pension costs (defined contribution)	**577**	290
Total	**59,412**	41,256

Note:
1 Includes salary, benefits and cash bonus.

Man made a charitable donation of £25,500 to Greenhouse Sports Ltd during the year (2016: £50,000), which is considered a related party. In addition, £3,700 (2016: £1,800) was paid to VWA Search Ltd, a recruitment firm, which is considered a related party.

27. Financial guarantees and commitments

27.1 Daylight settlement facilities

From time to time Man provides a guarantee over certain bank accounts of structured product entities to secure daylight settlement facilities which allow for the efficient movement of cash during the trading day. In aggregate these guarantees had a notional amount of $50 million (2016: $50 million). Ordinarily no net exposure exists at the end of any given day and the fair value of these commitments has been determined to be nil (2016: nil).

27.2 Intra-day and overnight credit facilities

Man guarantees the obligations under a $500 million intra-day (2016: $500 million) and $25 million overnight credit facilities (2016: $25 million), used to settle the majority of the Group's banking arrangements. As at 31 December 2017, the exposure under the intra-day facility is nil (2016: nil) and the overnight facility exposure is nil (2016: nil). The fair value of these commitments has been determined to be nil (2016: nil).

27.3 Operating lease commitments

	31 December 2017				31 December 2016			
$m	**Within 1 year**	**1–5 years**	**After 5 years**	**Total**	Within 1 year	1–5 years	After 5 years	Total
Operating lease commitments	**27**	**56**	**292**	**375**	25	57	265	347
Including offsetting non-cancellable sublease arrangements	**20**	**73**	**15**	**108**	19	66	30	115

Rent and associated expenses for all leases are recognised on a straight-line basis over the life of the respective lease. The operating lease commitments primarily include the agreements for lease contracts for the headquarters at Riverbank House, London (expiring in 2035) and our main New York office (expiring in 2022), which aggregate to $332 million (2016: $312 million).

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

28. Other matters

Man Group is subject to various other claims, assessments, regulatory enquiries and investigations in the normal course of its business. The directors do not expect such matters to have a material adverse effect on the financial position of the Group.

29. Group investments

Details of the Group's subsidiaries and consolidated structured entities, which have been consolidated into the Group's results, and details of investments in associates are provided below. The country of operation is the same as the country of incorporation, the year end is 31 December, and effective Group interest represents both the percentage held and voting rights, unless otherwise stated.

Subsidiaries

Principal operating subsidiaries	Registered address	Direct or indirect	Country of incorporation	Effective Group interest %
Asset management				
AHL Partners LLP[1]	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
GLG Partners LP	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
Man Investments (CH) AG	Huobstrasse 3, 8808 Pfäffikon SZ	Indirect	Switzerland	100
Numeric Investors LLC[2]	4001 Kennett Pike, Suite 302, Wilmington DE, 19807	Indirect	US	100
Group services company				
E D & F Man Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
Man Investments AG	Huobstrasse 3, 8808 Pfäffikon SZ	Indirect	Switzerland	100
Man Investments Holdings Inc.	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
Group treasury and holding company				
Man Investments Finance Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100

Group holding and other subsidiaries				
Man Group plc	Riverbank House, 2 Swan Lane, London, EC4R 3AD		UK	100
Man Strategic Holdings Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Direct	UK	100
Man Group UK Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
Man Group Holdings Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
Aalto Invest AG	Huobstrasse 3, 8808 Pfäffikon SZ	Indirect	Switzerland	100
Aalto Invest Cayman Limited	PO Box MP10085, Governors Square, Unit 5-202, West Bay Road, Grand Cayman, KY1-1001	Indirect	Cayman	100
Aalto Invest Holding AG	Huobstrasse 3, 8808 Pfäffikon SZ	Indirect	Switzerland	100
Aalto Invest UK Ltd	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
E. D. & F. Man Investments B.V.	Beurs – World Trade Center, Beursplein 37, 3011 AA, Rotterdam	Indirect	Netherlands	100
E D & F Man Investments Limited	15 Esplanade, St Helier, JE1 1RB	Indirect	Jersey	100
FA Sub 2 Limited	PO Box 92, Road Town, Tortola, VG 1110	Indirect	BVI	100
FA Sub 3 Limited	PO Box 92, Road Town, Tortola, VG 1110	Indirect	BVI	100
Financial Risk Management Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
FRM Holdings Limited	Gaspé House, 66-72 Esplanade, St Helier, JE2 3QT	Indirect	Jersey	100
FRM Investment Management GP (USA) LLC	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
FRM Investment Management Limited	P.O. Box 173, Royal Chambers, St Julian's Avenue, St Peter Port, GY1 4HG	Indirect	Guernsey	100
FRM Investment Management (USA) LLC	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
FRM Thames Fund General Partner 1 Limited	89 Nexus Way, Camana Bay, P.O. BOX 31106, Grand Cayman, KY1-1205	Indirect	Cayman	100
GLG Capital Management LLC	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
GLG Holdings Inc.	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
GLG Holdings Limited	Wickhams Cay, PO Box 662, Road Town, Tortola	Indirect	BVI	100
GLG Inc.	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
GLG LLC	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
GLG Partners GP LLC	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
GLG Partners Hong Kong Limited	Unit 2206-2207, 22/F Man Yee Building, No. 68 Des Voeux Road, Central	Indirect	Hong Kong	100
GLG Partners Inc.	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
GLG Partners Intermediate GP Ltd	PO Box 309, Ugland House, South Church Street, George Town, Grand Cayman, KY1-1104	Indirect	Cayman	100
GLG Partners Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
GLG Partners Services Limited	Po Box 309, Ugland House, South Church Street, George Town, Grand Cayman, KY1-1104	Indirect	Cayman	100
GLG Partners Services LP	Po Box 309, Ugland House, South Church Street, George Town, Grand Cayman, KY1-1104	Indirect	Cayman	100
GLG Partners UK Group Ltd	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
GLG Partners UK Holdings Ltd	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
GLG Partners UK Ltd	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100

29. Group investments continued

Group holding and other subsidiaries	Registered address	Direct or indirect	Country of incorporation	Effective Group interest %
Knox Pines Limited	Wickhams Cay, PO Box 662, Road Town, Tortola	Indirect	BVI	100
Man Asset Management (Cayman) Limited	89 Nexus Way, Camana Bay, P.O. BOX 31106, Grand Cayman, KY1-1205	Indirect	Cayman	100
Man Asset Management (Ireland) Limited	70 Sir John Rogerson's Quay, Dublin 2	Indirect	Ireland	100
Man Australia GP Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
Man Australia LP	Level 27, Chifley Tower, 2 Chifley Square, Sydney, NSW 2000	Indirect	Australia	100
Man (Europe) AG	Austrasse 56, 9490, Vaduz, Liechtenstein	Indirect	Liechtenstein	100
Man Fund Management (Guernsey) Limited	P.O. Box 173, Royal Chambers, St Julian's Avenue, St Peter Port, GY1 4HG	Indirect	Guernsey	100
Man Fund Management Limited	70 Sir John Rogerson's Quay, Dublin 2	Indirect	Ireland	100
Man Fund Management Netherlands BV	Beurs – World Trade Center, Beursplein 37, 3011 AA, Rotterdam	Indirect	Netherlands	100
Man Fund Management UK Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
Man GLG Credit Advisers AG	Huobstrasse 3, 8808 Pfäffikon SZ	Indirect	Switzerland	100
Man GLG Partners LLP (previously Laurel Heights LLP)[1]	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
Man Global Private Markets (USA) Inc.	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
Man Global Private Markets SLP LLC	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
Man Group Japan Limited	P.O. Box 173, Royal Chambers, St Julian's Avenue, St Peter Port, GY1 4HG	Indirect	Guernsey	100
Man Group Services Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
Man Investments Australia Limited	Level 27, Chifley Tower, 2 Chifley Square, Sydney, NSW 2000	Indirect	Australia	100
Man Investments Finance Inc.	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
Man Investments Holdings Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
Man Investments (Hong Kong) Limited	Unit 2206-2207, 22/F Man Yee Building, No.68 Des Voeux Road, Central	Indirect	Hong Kong	100
Man Investments Inc.	15 North Mill Street, Nyack, NY 10960, United States	Indirect	US	100
Man Investments Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
Man Investment Management (Shanghai) Co., Ltd	Room 1857, No. 222 Yan An East Road, Huangpu District, Shanghai, 200002	Indirect	China	100
Man Investments (Shanghai) Limited	Room 1818, Bund Centre, No. 222 Yan An East Road, Shanghai, 200002	Indirect	China	100
Man Investments (USA) Corp.	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
Man Investments USA Holdings Inc.	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
Man Litchfield Inc.	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
Man Mash Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
Man Principal Strategies Corp	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
Man Solutions Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
Man UK Strategies Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
Man Valuation Services Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
Man Washington Inc.	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
Mount Garnet Limited	Wickhams Cay, PO Box 662, Road Town, Tortola	Indirect	BVI	100
Mount Granite Limited	Wickhams Cay, PO Box 662, Road Town, Tortola	Indirect	BVI	100
Numeric Holdings LLC[2]	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
Numeric Midco LLC[2]	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
RBH Holdings (Jersey) Limited	13 Castle Street, St. Helier, JE4 5UT	Indirect	Jersey	100
RMF Co-Investment Limited	Po Box 309, Ugland House, South Church Street, George Town, Grand Cayman, KY1-1104	Indirect	Cayman	100
Seabrook Holding Inc	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
Silvermine Capital Management LLC	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
Empyrean Re (Canada) Inc. (in liquidation)	70 York Street, Suite 1202, Toronto, ON M5J 1S9	Indirect	Canada	100
Man Financial Australia Pty Limited (in liquidation)	Level 27, Chifley Tower, 2 Chifley Square, Sydney, NSW 2000	Indirect	Australia	100
Man Investments Middle East Limited (in liquidation)	Office 307, Level 3, Precinct Building 4, DIFC, PO Box 73221, Dubai	Indirect	UAE	100

Notes:
1 The financial year end is 31 March.
2 Numeric Management hold an 18.3% equity interest in the business as part of the acquisition contingent consideration, which is deemed to be a financial liability (Note 25).

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

29. Group investments continued

Consolidated structured entities

The following investment funds, which the Group is deemed to control, have been consolidated (Note 13):

Strategy	Registered address	Country of incorporation/ principal place of operation	% of net asset value held
Man Numeric European Equity[1]	70 Sir John Rogerson's Quay, Dublin 2, Ireland	Ireland	100
Man GLG European Income Opportunities[1]	70 Sir John Rogerson's Quay, Dublin 2, Ireland	Ireland	31
Man GLG Iberian Opportunities Fund[1]	70 Sir John Rogerson's Quay, Dublin 2, Ireland	Ireland	44
Man Alternative Risk Premia[1]	70 Sir John Rogerson's Quay, Dublin 2, Ireland	Ireland	78
Man GLG Select Opportunities[2]	c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY 1-11-4,Cayman Islands	Cayman	70
Man GLG Pan-European Equity Growth[2]	70 Sir John Rogerson's Quay, Dublin 2, Ireland	Ireland	70
Man GLG Global European Alpha Alternative[2]	70 Sir John Rogerson's Quay, Dublin 2, Ireland	Ireland	55
Man GLG Global Emerging Markets Bond[2]	70 Sir John Rogerson's Quay, Dublin 2, Ireland	Ireland	71
Man Numeric Global Equity[2]	70 Sir John Rogerson's Quay, Dublin 2, Ireland	Ireland	76

Notes:
1 Classified as non-current assets and liabilities held for sale (Note 13.2).
2 Consolidated on a line-by-line basis (Note 13.2).

Investments in associates

	Registered address	Country of incorporation/ principal place of operation	% of net asset value held
Nephila Holdings Limited	Victoria Place, 3rd Floor, West, 31 Victoria Street, Hamilton, HM10	Bermuda	18[1]

Note:
1 18% represents Man's ownership of class B common shares. Man's participation in the profits of Nephila is governed by the share class rights and therefore does not relate proportionately to the ownership interest held. Man considers that this equity interest, Man's ability to veto Nephila's annual business plan, and the presence of a Man member on the Nephila board of directors provides Man with the power to participate in the financial and operating policy decisions, and equates to significant influence.

PARENT COMPANY FINANCIAL STATEMENTS

Balance sheet

$m	Note	At 31 December 2017	At 31 December 2016
Fixed assets			
Investment in subsidiaries	2	**2,439**	2,439
Current assets			
Debtors	3	**275**	161
Creditors – amounts falling due within one year			
Other creditors and accruals	4	**(85)**	(84)
Net current assets		**190**	77
Creditors – amounts falling after more than one year			
Borrowings	5	**(150)**	(149)
Total assets less current liabilities		**2,479**	2,367
Capital and reserves			
Called up share capital		**56**	58
Share premium account		**26**	19
Capital reserve		**7**	5
Merger reserve		**499**	491
Profit and loss account		**1,891**	1,794
Total shareholders' funds		**2,479**	2,367

The profit after tax for the year was $356 million (2016: $138 million). During the year the Company received dividend income of $372 million from subsidiaries (2016: $154 million). In accordance with Section 408 of the Act, a separate profit and loss account has not been presented for the Company. Details of audit fees are included on page 60.

The financial statements of the Company (registered number 08172396) were approved by the Board of directors and authorised for issue on 28 February 2018 and were signed on its behalf by:

Luke Ellis
Chief Executive Officer

Mark Jones
Chief Financial Officer

Statement of changes in equity

$m	Called up share capital	Share premium account	Capital reserve	Merger reserve	Profit and loss account	Total
At 1 January 2016	59	14	4	491	1,915	2,483
Issue of ordinary share capital	–	5	–	–	–	5
Repurchase of shares	(1)	–	1	–	(101)	(101)
Profit for the financial year/total comprehensive income	–	–	–	–	138	138
Dividends	–	–	–	–	(158)	(158)
At 31 December 2016	58	19	5	491	1,794	2,367
Issue of ordinary share capital	–	7	–	8	–	15
Repurchase of shares	(2)	–	2	–	(101)	(101)
Profit for the financial year/total comprehensive income	–	–	–	–	356	356
Dividends	–	–	–	–	(158)	(158)
At 31 December 2017	**56**	**26**	**7**	**499**	**1,891**	**2,479**

The allotted and fully paid share capital of the Company is detailed in Note 20 of the Group financial statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 as issued by the Financial Reporting Council, and accordingly chooses to apply the Financial Reporting Standard 101 (FRS 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council to these financial statements. In doing so, the Company applies the requirements of IFRS 1.6-33 and related appendices.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement and certain related party transactions. Where required, equivalent disclosures are given in the Group financial statements.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in Note 1 to the Group financial statements, except as noted below.

The Company's financial statements are prepared on a going concern basis. For further details, refer to Note 1 to the Group financial statements.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the spot rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at period end exchange rates, are recognised in the profit and loss account.

Dividends

Dividend distributions to the Company's shareholders are recognised directly in equity in the period in which the dividend is paid or approved by the Company's shareholders, if required. Dividends received from subsidiary undertakings are recognised as income in the period in which they are received. Refer to Note 9 to the Group financial statements for details of dividends paid during the year.

2. Investments in subsidiaries

$m	**2017**	2016
Shares in Group undertakings		
At 1 January and 31 December	**2,439**	2,439

The Company's shares in subsidiary undertakings are stated in the balance sheet of the Company at cost less accumulated impairment of $nil (2016: $nil). A complete list of the Company's direct and indirect subsidiaries are provided in Note 29 to the Group financial statements.

3. Debtors – amounts falling due within one year

$m	**31 December 2017**	31 December 2016
Current tax asset	**4**	4
Amounts owed by Group undertakings	**271**	157
	275	161

4. Creditors – amounts falling due within one year

$m	**31 December 2017**	31 December 2016
Amounts owed to Group undertakings	**9**	16
Other creditors	**76**	68
	85	84

Other creditors includes $74 million relating to the share repurchase which was partially completed during the year (see Note 20 to the Group financial statements).

5. Creditors – amounts falling due after more than one year

Borrowings relate to the 2024 fixed rate reset callable guaranteed subordinated notes issued by the Company, as detailed in Note 12 to the Group financial statements.

6. Directors' remuneration

Details of the individual directors' emoluments and interests are disclosed in the Directors' Remuneration report on pages 65 to 94. The directors of the Company were paid by another Group company in the year.

7. Statutory and other information

Shares in the Company are awarded to directors and employees through the Group's share schemes. Details relating to these share grants are provided in Note 19 to the Group financial statements.

FIVE YEAR RECORD
UNAUDITED

$m	Year to 31 December 2017	Year to 31 December 2016	Year to 31 December 2015	Year to 31 December 2014	Year to 31 December 2013
Income statement					
Gross management and other fees	**781**	746	833	810	967
Performance fees	**287**	81	302	340	193
Profit before adjusting items	**384**	205	400	481	297
Adjusting items[1]	**(112)**	(477)	(216)	(97)	(241)
Pre-tax profit/(loss)	**272**	(272)	184	384	56
Tax (expense)/credit	**(17)**	6	(13)	(19)	16
Profit/(loss) for the year	**255**	(266)	171	365	72
Adjusted net management fee profit before tax	**203**	178	194	198	175
Adjusted net performance fee profit before tax	**181**	27	206	283	122
Earnings per share (diluted)	**15.3**	(15.8)	10.0	20.5	2.9
Balance sheet ($m)					
Net cash	**229**	277	458	589	992
Net assets	**1,716**	1,674	2,215	2,434	2,407
Other statistics					
Post-tax return on equity (%)	**15.2**	(12.5)	7.5	15.8	2.1
Cash flow from operating activities (before working capital movements) ($m)	**431**	245	402	463	222
Ordinary dividends per share (cents)	**10.8**	9.0	10.2	10.1	7.9
Funds under management ($bn)	**109.1**	80.9	78.7	72.9	54.1
Average headcount[2]	**1,313**	1,250	1,183	1,078	1,258
Sterling/USD exchange rates					
Average	**0.7759**	0.7384	0.6544	0.6072	0.6388
Year end	**0.7396**	0.8093	0.6786	0.6419	0.6040

Notes:
1 Statutory profit/(loss) before tax is adjusted to give a fuller understanding of the underlying profitability of the business. See page 148 for details of alternative performance measures.
2 The average headcount includes directors, employees, partners and contractors.

SHAREHOLDER INFORMATION

In this section we have provided some key information to assist you in managing your shareholding in Man. If you have a question that is not answered below, you can contact us by email: shareholder@man.com

Useful websites

References are made throughout this section to two websites which you will find useful for managing your shareholding in Man and for finding out more about the Company:

Man (www.man.com)
The Man corporate website contains a wealth of information about the Company including details of the industry in which we operate, our strategy and business performance, recent news from Man and corporate responsibility initiatives. The Investor Relations section is a key tool for shareholders with information on share price and financial results, reports and presentations. This section of the website also contains information on dividends and shareholder meeting details as well as useful Frequently Asked Questions.

Equiniti Shareview (www.shareview.co.uk/shareholders)
Man's register of shareholders is maintained by Equiniti, the Company's Registrars. Many aspects of managing your shares such as checking your current shareholding, managing dividend payments, and updating your contact details can be carried out by registering on the Equiniti Shareview website. To do this you will need your Shareholder Reference which can be found on your share certificate or dividend confirmation.

Dividends

Final dividend for the year ended 31 December 2017

4.18 pence per share

The directors have recommended a final dividend of 4.18 pence per share in respect of the year ended 31 December 2017. Payment of this dividend is subject to approval at the 2018 Annual General Meeting (AGM). Key dates relating to this dividend are given below:

Ex-dividend date	26 April 2018
Record date	27 April 2018
DRIP election date	27 April 2018
AGM (to approve final dividend)	11 May 2018
Payment date	18 May 2018
CREST accounts credited with DRIP shares	23 May 2018
DRIP share certificates received	24 May 2018

Dividend policy
Man's dividend policy is to pay out at least 100% of adjusted management fee earnings per share in each financial year by way of ordinary dividend. In addition, the Group expects to generate significant surplus capital over time, primarily from net performance fee earnings. Available surpluses, after taking into account our required capital (including accruals for future earn-out payments), potential strategic opportunities and a prudent buffer, will be distributed to shareholders over time by way of higher dividend payments and/or share repurchases. As announced at the time of our trading statement for the quarter ended 30 September 2017, the Company is undertaking a share repurchase programme pursuant to which up to a maximum of $100 million of surplus capital is being returned to shareholders. Details of the number of shares repurchased during 2017 can be found in Note 20 of the financial statements.

Dividend payment methods
You can choose to receive your dividend in a number of ways. Dividends will automatically be paid to you by cheque and sent to your registered address unless you have chosen one of the options below:

1. **Direct payment to your bank:** We recommend that you apply for cash dividends to be paid directly into your UK bank or building society account to speed up the payment process and to avoid the risk of cheques becoming lost or delayed in the post. The associated dividend confirmation will be sent direct to your registered address. To switch to this method of payment simply download a dividend mandate form from the Dividends section of our corporate website. Alternatively, dividend mandate forms are available from the Equiniti Shareview website. If you have any queries please contact Equiniti on 0371 384 2112[1] (+44 121 415 7592 if calling from outside the UK), who will be able to assist.
2. **Overseas payment service**[2]: If you live overseas, Equiniti offers an overseas payment service which is available in certain countries. This may make it possible to receive dividends directly into your bank account in your local currency. Further information can be found on the Equiniti Shareview website or via the Equiniti helpline 0371 384 2112[1] (+44 121 415 7592 if calling from outside the UK).
3. **Dividend Reinvestment Plan (DRIP):** The Company is pleased to offer a DRIP which gives shareholders the opportunity to build their shareholding in the Company in a convenient and cost-effective way. Instead of receiving your dividend in cash, you receive as many whole shares as can be bought with your dividend, taking into account related purchase costs; any residual cash is then carried forward and added to your next dividend. If you wish to join the DRIP, you can download copies of the DRIP terms and conditions and the DRIP mandate form from the Dividends section of the Man website. Simply complete the DRIP mandate form and return it to Equiniti. Should you have any questions regarding the DRIP, or to request a paper mandate form, please contact Equiniti on 0371 384 2112[1] (+44 121 415 7592 if calling from outside the UK). Please note that if you wish to join the DRIP in time for the payment of the forthcoming final dividend for the year ended 31 December 2017, Equiniti must have received your instruction by 5.00pm on 27 April 2018. Instructions received after this date will be applied to the next dividend payment.

Notes:
1 Lines are open from 8.30am to 5.30pm, each business day.
2 Please note that a payment charge will be deducted from each individual payment before conversion to your local currency.

SHAREHOLDER INFORMATION CONTINUED

Dividends paid in the 2017/18 tax year	Dividend no	Payment date	Amount per share (p)	Ex-dividend date	Record date	DRIP share price (p)	DRIP purchase date
Interim dividend for the year ended 31 Dec 2017	O/21	06/09/17	3.79	17/08/17	18/08/17	164.9191	06/09/17
Final dividend for the year ended 31 Dec 2016	O/20	12/05/17	3.62	20/04/17	21/04/17	161.5239	12/05/17

Dividend history
To help shareholders with their tax affairs, details of dividends paid in the 2017/18 tax year can be found above. Please note that the dividend amounts are declared in US Dollars but paid in Sterling. For details of historical payments, please refer to the Dividends section of our corporate website which can be found under Investor Relations.

Changes to tax on dividend income
HM Revenue and Customs has announced that, from 6 April 2018, the tax free dividend allowance will be reduced from £5,000 to £2,000 per annum. For further information, and to see how you might be affected by the changes, please refer to the HMRC website.

Shareholder communications

Annual and Interim Reports
Man publishes an Annual and Interim Report every year. The Annual Report is sent to shareholders in March through the post unless the shareholder has chosen to receive shareholder communications electronically (see 'E-communications' below). The Interim Report is published on the website in early August and printed copies are available on request from the Company Secretary.

E-communications
You can help Man to reduce its printing and postage costs as well as its carbon footprint by signing up to receive communications electronically rather than receiving printed documents such as Annual Reports and Notices of AGMs in the post. To sign up for e-communications, simply register on the Equiniti Shareview website. You will need your Shareholder Reference, which can be found on your share certificate, dividend confirmation or proxy card, in order to register. Once registered, you will need to change your mailing preference to e-communications and provide your email address. You will then receive an email each time a shareholder communication or document becomes available on the Man website.

Managing your shareholding

Online, by post, or by phone
Many aspects of your shareholding can be managed by registering on the Equiniti Shareview website. For enquiries about your shareholding you can also contact Equiniti in writing at Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, or by telephone on 0371 384 2112[1], quoting Reference No 874. Callers from outside the UK should telephone +44 121 415 7592. Please quote your Shareholder Reference when contacting Equiniti.

Share dealing service
Equiniti provides a share dealing facility through which you can buy or sell Man Group plc shares in the UK. The service is provided by Equiniti Financial Services Limited and can be accessed via the dealing section of the Equiniti Shareview website (www.shareview.co.uk/dealing). To use Equiniti's telephone dealing service, please call 03456 037 037 between 8.00am and 4.30pm Monday to Friday. You can also buy and sell shares through any authorised stockbroker or bank that offers a share dealing service in the UK, or in your country of residence if outside the UK.

Be a ScamSmart investor – avoid investment and pension scams

Even seasoned investors have been caught out by sophisticated share or investment scams where smooth-talking fraudsters cold call from 'boiler rooms' to offer them worthless, overpriced or even non-existent shares, or to buy shares they currently hold at a price higher than the market value. All shareholders are advised to be extremely wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. It is estimated that £200 million is lost in this way in the UK each year, with an average loss of £20,000 per investor.

The Financial Conduct Authority (FCA) provides helpful information about such scams on its website, including practical tips on how to protect your savings and how to report a suspected investment scam. Man encourages its shareholders to read the information on the site which can be accessed at www.fca.org.uk/scamsmart. You can also call the FCA Consumer Helpline on 0800 111 6768.

How your details are protected from cybercrime

Man takes the protection of its shareholders' personal data from the ever-increasing threat of cybercrime very seriously. Shareholder details are maintained by Equiniti, our Registrars, who safeguard this information to the highest standards. Equiniti's security measures include multiple levels of firewall, no wireless access to the corporate network, and regular external vulnerability scans and system penetration tests.

Company contact details

Registered office
Man Group plc
Riverbank House
2 Swan Lane
London
EC4R 3AD

Telephone: 020 7144 1000
Web: www.man.com

Registered in England and Wales with registered no: 08172396

Investor Relations
investor@man.com
Head of Investor Relations – Fiona Smart

Company Secretariat
shareholder@man.com
Company Secretary – Rachel Rowson

Company advisers

Independent auditor
Deloitte LLP

Corporate brokers
Credit Suisse
JP Morgan Cazenove

Corporate Communications
Finsbury

Registrars
Equiniti

ALTERNATIVE PERFORMANCE MEASURES

We assess the performance of the Group using a variety of alternative performance measures. We discuss the Group's results on an 'adjusted' basis as well as a statutory basis. The rationale for using adjusted measures is explained below.

We also explain financial performance using measures that are not defined under IFRS and are therefore termed 'non-GAAP' measures. These non-GAAP measures are explained below. The alternative performance measures we use may not be directly comparable with similarly titled measures by other companies.

Funds under management (FUM)

FUM is the assets that the Group manages for investors in fund entities. FUM is a key indicator of our performance as an investment manager and our ability to remain competitive and build a sustainable business. FUM is measured based on management fee earning capacity. Average FUM multiplied by our net management fee margin (see below) equates to our management fee earning capacity. FUM is shown by product groupings that have similar characteristics (as shown on page 25). Management focus on the movements in FUM split between the following categories:

Net inflows/outflows

Net inflows/outflows are a measure of our ability to attract and retain investor capital. Net flows are calculated as sales less redemptions. Further details are included on page 23.

Investment movement

Investment movement is a measure of the performance of the funds we manage for our investors. It is calculated as the fund performance of each strategy multiplied by the FUM in that strategy. Further details are included on page 22.

FX and other movements

Some of the Group's FUM is denominated in currencies other than USD. FX movements represent the impact of translating non-USD denominated FUM into USD. Other movements principally relate to maturities and leverage movements.

Asset weighted outperformance versus benchmark

The asset weighted outperformance relative to peers for the period stated is calculated using the asset weighted average performance relative to peers for all strategies where we have identified and can access an appropriate peer composite. The performance of our strategies is measured net of management fees charged and, as applicable, performance fees charged. As at 31 December 2017 it covers 87% of the FUM of the Group and excludes infrastructure mandates, Global Private Markets and collateralised loan obligations. Asset weighted outperformance versus benchmark will be added as a new KPI for the 2018 financial year (page 22).

Net management fee revenue and margins

Margins are an indication of the revenue margins negotiated with our institutional and retail investors net of any distribution costs paid to intermediaries and are a primary indicator of future revenues. Net management fee revenue is defined as gross management fee revenue and share of post-tax profits of associates less distribution costs, plus management fees relating to consolidated fund entities (Note 13.2 to the Group financial statements) which represent the third party share and are therefore externally generated. Net management fee margin is calculated as net management fee revenue, excluding share of post-tax profits of associates, divided by average FUM. Net management fee revenue and margins are shown on page 26.

Core net management fee revenue

Core net management fee revenue excludes net management fee revenue relating to guaranteed products, sales commission income from Nephila (Note 17) and share of post-tax profits of associates. These items have been excluded in order to better present the core profitability of the Group given the roll-off of the legacy guaranteed product FUM, income from the Nephila sales commission agreement which ended during 2017, and share of post-tax profits of associates which is generated externally. The detailed calculation of core net management fee revenue is shown on page 26.

Run rate net management fee revenue and margins

In addition to the net management fee revenue and margins for the year, as detailed above, we also use run rate net management fee revenue and run rate margins as at the end of the year. These measures give the most up to date indication of our revenue streams at the period end date. The run rate net management fee margin is calculated as net management fee revenue for the last quarter divided by the average FUM for the last quarter on a fund by fund basis. Run rate net management fee revenue is calculated as the run rate net management fee margin applied to the closing FUM as at the period end, plus our share of post-tax profits of associates for the previous 12 months.

Adjusted profit before tax and adjusted earnings per share

Adjusted profit before tax is a measure of the Group's underlying profitability. The directors consider that in order to assess underlying operating performance, the Group's profit period on period is most meaningful when considered on a basis which excludes acquisition and disposal related items (including non-cash items such as amortisation of acquired intangible assets and deferred tax movements relating to the recognition of tax assets in the US), impairment of assets, costs relating to substantial restructuring plans, and certain significant event driven gains or losses, which therefore reflects the revenues and costs that drive the Group's cash flows and inform the base on which the Group's variable compensation is assessed. The directors are consistent in their approach to the classification of adjusting items period to period, maintaining an appropriate symmetry between losses and gains and the reversal of any accruals previously classified as adjusting items.

Adjusted earnings per share (EPS) is calculated as adjusted profit after tax divided by the weighted average diluted number of shares.

ALTERNATIVE PERFORMANCE MEASURES CONTINUED

The reconciliation of statutory profit before tax to adjusted profit before tax, and the reconciliation of statutory diluted EPS to the adjusted EPS measures are shown below.

$m	Note to the Group financial statements	**Year ended 31 December 2017**	Year ended 31 December 2016
Statutory profit/(loss) before tax		**272**	(272)
Adjusting items:			
Acquisition and disposal related			
Amortisation of acquired intangible assets	10	**84**	94
Revaluation of contingent consideration	25	**15**	(40)
Unwind of contingent consideration discount	6	**26**	19
Impairment of goodwill and acquired intangibles	10	**–**	379
Other costs	5	**–**	4
Reassessment of litigation provision	16	**(24)**	–
Compensation – restructuring	4	**4**	17
Other costs – restructuring	5	**7**	4
Adjusted profit before tax		**384**	205
Tax on adjusted profit		**(47)**	(28)
Adjusted profit after tax		**337**	177

Further details on adjusting items are included within the related notes to the Group financial statements.

The impact of adjusting items on the Group's tax expense/credit is outlined below:

$m	**Year ended 31 December 2017**	Year ended 31 December 2016
Statutory tax expense/(credit)	**17**	(6)
Less tax credit/(expense) on adjusting items:		
Amortisation of acquired intangible assets	**10**	15
Impairment of goodwill and acquired intangibles	**–**	9
Compensation – restructuring	**1**	3
Other costs – restructuring	**2**	1
Tax adjusting item (Note 7 to the Group financial statements)	**17**	6
Tax expense on adjusted profit before tax	**47**	28
Made up of:		
Tax expense on adjusted management fee profit before tax	**24**	25
Tax expense on adjusted performance fee profit before tax	**23**	3

Certain adjusting items are included within the notes to the Group financial statements, which can be reconciled to their adjusted equivalents as outlined below:

$m	**Year ended 31 December 2017**	Year ended 31 December 2016
Total compensation costs (Note 4)	**478**	405
Adjusting items (as above)	**(4)**	(17)
Total compensation costs excluding adjusting items	**474**	388
Made up of:		
Fixed compensation (includes salaries and associated social security costs, and pension costs)	**174**	182
Variable compensation (includes variable cash compensation, share-based payment charge, fund product payment charge and associated social security costs)	**300**	206
Total other costs (Note 5)	**173**	176
Adjusting items (as above)	**(7)**	(8)
Total other costs excluding adjusting items	**166**	168
Total finance expense (Note 6)	**38**	32
Total finance income (Note 6)	**(3)**	(2)
Net finance expense, including adjusting items	**35**	30
Adjusting items (as above)	**(26)**	(19)
Net finance expense excluding adjusting items	**9**	11

Adjusted management fee EPS

Man's dividend policy is disclosed on page 29. Dividends paid to shareholders (or adjusted management fee EPS) are determined based on the adjusted management fee profit before tax. Adjusted management fee EPS is calculated using post-tax profits excluding performance fees and adjusting items, divided by the weighted average diluted number of shares.

The reconciliation from EPS (Note 8 to the Group financial statements) to adjusted EPS is provided below:

	Year ended 31 December 2017			Year ended 31 December 2016		
	Basic and diluted post-tax earnings $m	**Basic earnings per share cents**	**Diluted earnings per share cents**	Basic and diluted post-tax earnings $m	Basic earnings per share cents	Diluted earnings per share cents
Statutory profit/(loss) after tax	**255**	**15.5**	**15.3**	(266)	(15.8)	(15.8)
Effect of potential ordinary shares[1]	**–**	**–**	**–**	–	–	0.1
Adjusting items	**112**	**6.8**	**6.8**	477	28.4	28.1
Tax adjusting items	**(30)**	**(1.8)**	**(1.8)**	(34)	(2.1)	(2.0)
Adjusted profit after tax	**337**	**20.5**	**20.3**	177	10.5	10.4
Less adjusted performance fee profit	**(158)**	**(9.6)**	**(9.5)**	(24)	(1.4)	(1.4)
Adjusted management fee profit after tax	**179**	**10.9**	**10.8**	153	9.1	9.0

Note:
1 As their inclusion would decrease the loss per share in 2016, potential ordinary shares have not been treated as dilutive and have therefore been excluded from the diluted statutory EPS calculation.

Adjusted management fee and performance fee profit before tax

Adjusted profit before tax is split between adjusted management fee profit before tax and adjusted performance fee profit before tax to separate out the variable performance fee related earnings of the business from the underlying management fee earnings of the business, as follows:

$m	**Year ended 31 December 2017**	Year ended 31 December 2016
Gross management and other fees[1]	**784**	750
Share of post-tax profit of associates	**8**	2
Less:		
Distribution costs	**(56)**	(61)
Asset servicing	**(37)**	(33)
Compensation	**(331)**	(312)
Other costs[1]	**(165)**	(166)
Net finance expense	**–**	(2)
Adjusted management fee profit before tax	**203**	178
Exclude: Net management fees from guaranteed products, commission income and share of post-tax profits of associates	**(25)**	(46)
Core management fee profit before tax	**178**	132
Performance fees	**289**	81
Gains on investments and other financial instruments[2]	**44**	31
Less:		
Compensation	**(143)**	(76)
Finance expense	**(9)**	(9)
Adjusted performance fee profit before tax	**181**	27

Notes:
1 Gross management and other fees also includes $3 million (2016: $4 million) of management fee revenue, performance fees include $2 million (2016: $nil) of performance fee revenue and other costs includes a deduction of $1 million of costs (2016: $2 million) relating to line-by-line consolidated fund entities for the third-party share (per Group financial statements Note 13.2 on page 124).
2 Gains on investments includes income or gains on investments and other financial instruments of $64 million (2016: $52 million), less $14 million (2016: $15 million) third party share of gains relating to line-by-line consolidated fund entities, less the reclassification of management fee revenue of $3 million, performance fee revenue of $2 million and other costs of $1 million as above (2016: $4 million, $nil and $2 million respectively).

Core management fee profit before tax

Core management fee profit before tax is adjusted management fee profit before tax, excluding net management fees relating to guaranteed products, sales commission income from Nephila (Note 17) and share of post-tax profits of associates, as detailed on page 147 for core net management fee revenue.

ALTERNATIVE PERFORMANCE MEASURES CONTINUED

Adjusted EBITDA

As the Group has a number of non-cash items in the income statement, it is important to focus on cash earnings to measure the true earnings generation of the Group. Adjusted EBITDA represents our profitability excluding non-cash items.

Reconciliation of adjusted profit before tax to adjusted EBITDA

$m	Year ended 31 December 2017	Year ended 31 December 2016
Adjusted profit before tax (refer to page 148)	**384**	205
Add back:		
Net finance expense	**9**	11
Depreciation	**12**	11
Amortisation of other intangibles	**7**	5
Current year amortisation of deferred compensation	**59**	55
Less:		
Deferred compensation awards relating to the current year	**(100)**	(63)
Adjusted EBITDA	**371**	224
Made up of:		
Adjusted management fee EBITDA[1]	**203**	181
Adjusted performance fee EBITDA[2]	**168**	43

1 Includes the management fee related allocation for compensation costs of $331 million (2016: $312 million) and the deduction of management fee related deferred compensation awards relating to the current year of $52 million (2016: $48 million).
2 Includes the performance fee related allocation for compensation costs of $143 million (2016: $76 million) and the deduction of performance fee related deferred compensation awards relating to the current year of $48 million (2016: $15 million).

Adjusted management fee EBITDA margin

The adjusted management fee EBITDA margin is a measure of the underlying profitability of the Group, and a KPI as included on page 23. It is calculated as a percentage of net management fee revenue (gross management fee revenue and share of post-tax profits of associates less distribution costs).

Compensation ratio

The compensation ratio measures our compensation costs relative to our revenue. The Group's compensation ratio is generally between 40% to 50% of net revenue, depending on the mix and level of revenue. It is calculated as total compensation divided by net revenue. Details of the current year compensation ratio are included on page 27.

GLOSSARY

Absolute return
Alternative strategies where clients expect the strategy may have net long, short or neutral exposure to asset classes, and that may make use of leverage to achieve those exposures

Actively Managed
The management of assets based on active decision-making as opposed to aiming to replicate an index

AGM
Annual General Meeting

Alpha
Excess return over beta relative to a market benchmark, or a measure of the 'value add' by an investment manager

Alternative
An alternative investment is an asset that is not one of the conventional investment types, such as stocks, bonds and cash

ARCom
Audit and Risk Committee

Basis point (bps)
One one-hundredth of a percentage point (0.01%)

Benchmark
A standard against which the performance of a security, mutual fund or investment manager can be measured, generally broad market and market-segment stock and bond indexes are used for this purpose

Beta
Market returns

Brexit
A blend of the words 'British' and 'exit' which refers to the United Kingdom's potential withdrawal from the European Union

Carbon dioxide equivalent (CO_2e)
A standard unit for measuring carbon footprints. It enables the impact of our different greenhouse gas emissions on global warming to be expressed using an equivalent amount of carbon dioxide (CO_2) as reference

Cash costs
Costs excluding depreciation and amortisation

CLO
Collateralized loan obligations are a security backed by a pool of debt, often low-rated corporate loans

Compensation cost
Total employee benefits expense

D&I
Diversity and Inclusion

Defined benefit (DB) pension scheme
A pension benefit where the employer has an obligation to provide participating employees with pension payments that represent a specified percentage of their salary for each year of service

Defined contribution (DC) pension scheme
A pension benefit where the employer's contribution to an employee's pension is measured as, and limited to, a specified amount, usually a percentage of salary

Discretionary
Discretionary investment management is a form of investment management in which buy and sell decisions are made by a portfolio manager. The term 'discretionary' refers to the fact that investment decisions are made at the portfolio manager's discretion

DRIVE
Drive is our global internal diversity and inclusion network which is designed to inform, support and inspire our people. The network's mission is to advance Man Group's efforts in promoting and valuing diversity and inclusion throughout the firm

Employee benefit trust
An employee benefit trust is a type of discretionary trust established to hold cash or other assets for the benefit of employees, such as satisfying share awards, with a view to facilitating the attraction, retention and motivation of employees

ESG
Environmental, Social and Governance

External Audit
An external auditor performs an audit, in accordance with specific laws or rules, of the financial statements of an organisation and is independent of the entity being audited

FCA
Financial Conduct Authority

HMRC
Her Majesty's Revenue and Customs

ICAAP
International Capital Adequacy and Assessment Process

IFRS
International Financial Reporting Standards

Internal Audit
Provide independent assurance that an organisation's risk management, governance and internal control processes are operating effectively

Investment returns
The increase in FUM attributable to investment performance, market movements and foreign exchange

KPI
Key Performance Indicators

Long Only
Long only refers to a policy of only holding 'long' positions in assets and securities

Machine Learning
A process in which a range of applied algorithms recognize repeatable patterns and relationships within observed data

MiFID II
The second iteration of the Markets in Financial Instruments Directive

Passive Products
Products which are intended to replicate an index

Pillar 1
The minimum regulatory capital requirements in relation to credit risk, operational risk and market risk taken by the Group as principal

GLOSSARY CONTINUED

Pillar 2
The requirement for companies to assess the level of additional regulatory capital held against risk not covered in Pillar 1

Pillar 3
This complements Pillar 1 and Pillar 2 with the aim of improving market discipline by requiring companies to publish certain details of their risks, capital and risk management. Man Group's Pillar 3 disclosures are available at www.man.com/investor-relations

Quantitative or Quant
Quantitative strategies use computer models to make trading decisions. A Quant is a person who specialises in the application of mathematical and statistical methods to financial and risk management problems

Regulatory Capital
Regulatory Capital is the amount of risk capital set by legislation or local regulators, which companies must hold against any difficulties such as market or credit risks

Senior Management Executive Committee
Committee of Executives within Man Group that work together to advise the CEO and are in charge of specific aspects of the Group

Systematic
Systematic investment managers attempt to remove the behavioural component of investing by using computer algorithms to make investment decisions

Total Return
Alternative strategies where clients expect the strategy to have some positive exposure to particular risk factors over the course of a market cycle although the level of exposure may vary over time

UN PRI
The United Nations-supported Principles for Responsible Investment Initiative is an international network of investors working together to implement the six Principles for Responsible Investment. Its goal is to understand the implications of sustainability for investors and support signatories to incorporate these issues into their investment decision-making and ownership practices

Man Group plc
Riverbank House
2 Swan Lane
London, EC4R 3AD

man.com