Man Group plc

Annual Report for the year ended 31 December 2018

Man Group is an active investment management firm, seeking to generate outperformance for our clients, including millions of pensioners and savers globally, who invest with us through their pension funds and investment plans.

We aim to achieve this through our diverse range of specialist investment strategies, empowered by the latest technology.

Contents

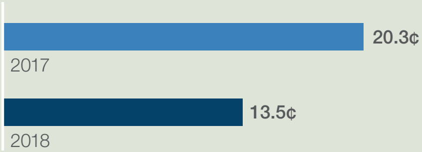
Highlights

Funds under management (FUM)

$108.5bn

Adjusted earnings per share

13.5¢

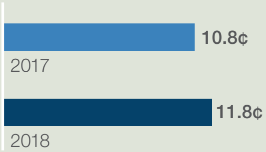


Statutory earnings per share

17.0¢

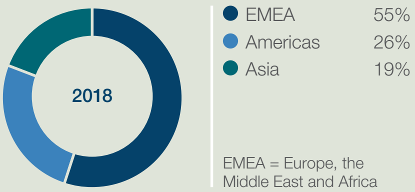
Dividend per share

11.8¢

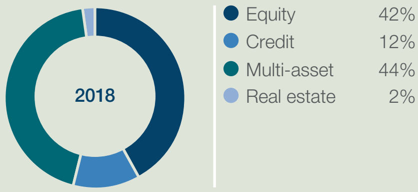


Funds under management

By geography

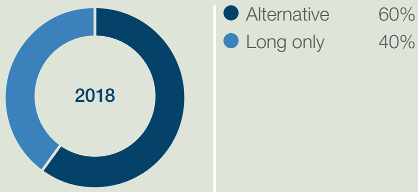


By asset class



By client

By product



Alternative performance measures – we assess the performance of the Group using a variety of alternative performance measures, which are explained on pages 142–145

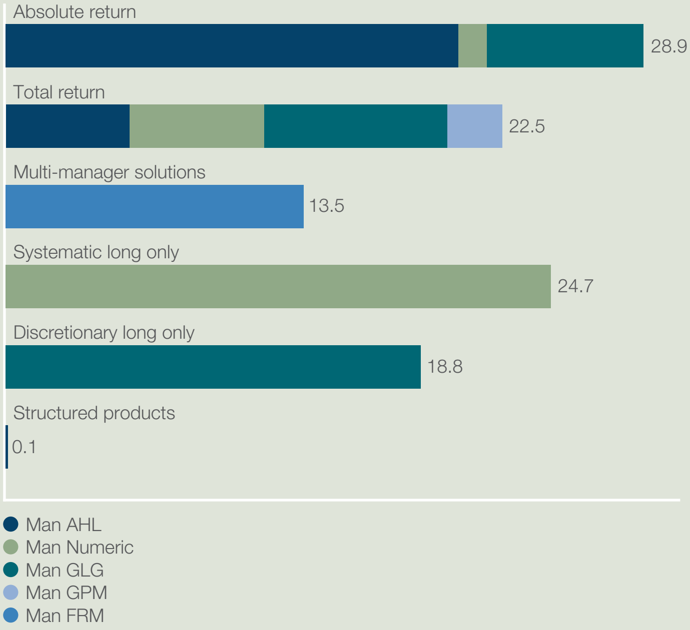
The strategic report was approved by the Board and signed on its behalf by:
Luke Ellis
Chief Executive Officer

Group at a glance

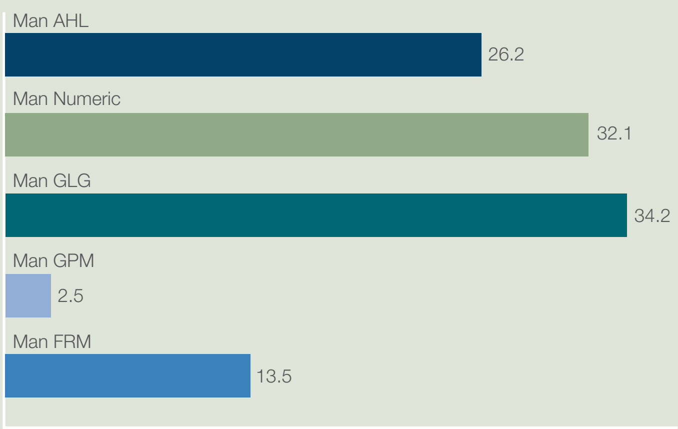
Man Group is an active investment manager with a broad range of strategies across investment styles, asset classes and geographies.

Our five investment engines house numerous investment teams who benefit from the strength of Man Group's single operating platform.

FUM by product category ($bn)



FUM by manager ($bn)



Investment engines

Man AHL
Man AHL is a diversified quantitative investment manager that has been a pioneer in the application of systematic trading since 1987. 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 over hundreds of global markets.

Man Numeric
Man Numeric is a quantitative manager invested in almost every equity market in the world. The investment engine employs disciplined and systematic investment processes, underpinned by a robust bottom-up, fundamental approach, offering both long only and alternative strategies.

Man GLG
Man GLG is a discretionary investment engine, offering a diverse range of alternative and long only investment strategies across equity, credit, fixed income and multi-asset approaches. It increasingly leverages Man Group's broader quantitative techniques and technology as part of its fundamental investment and efficient execution processes. Man GLG's experienced investment teams are encouraged to think independently, while sharing and debating ideas, unconstrained by a house view.

Man GPM
Man GPM focuses on investments in private markets, broadening Man Group's offering into less liquid assets such as real estate, private credit and infrastructure. Launched with the acquisition of Aalto Invest in 2017, Man GPM is focused on sourcing investment opportunities offering attractive risk-adjusted returns.

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.

Our global sales team provides clients with one point of contact across Man Group. This one key contact understands the client's investment objectives and engages in close dialogue with our investors to understand their particular needs and constraints.

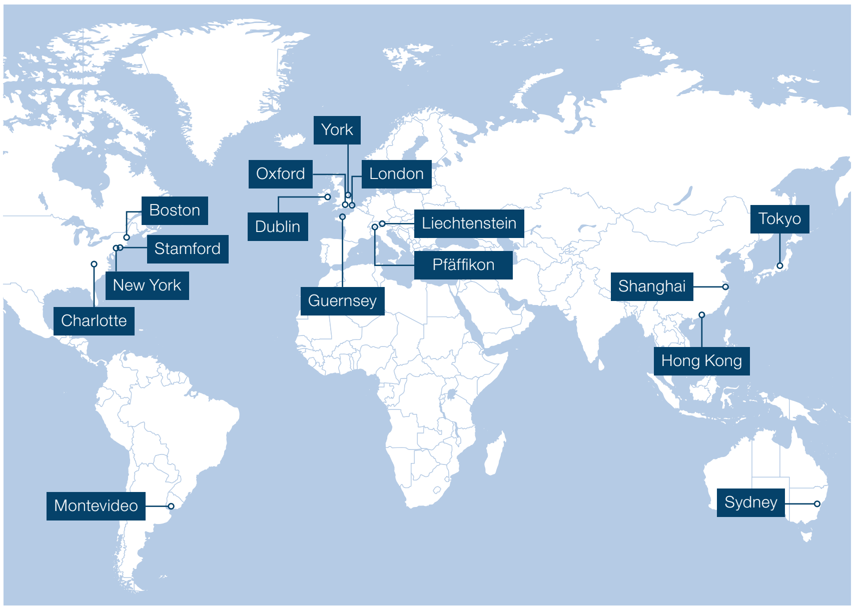
Offices around the world

16

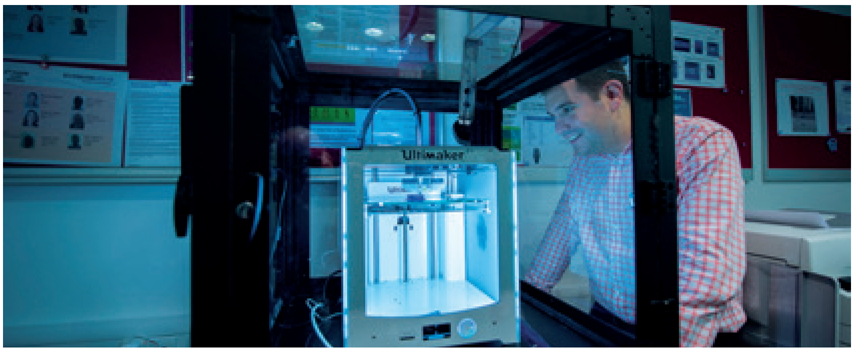
Global headcount

1,435

at 31 December 2018



Our investment engines and sales are supported by Man Group's robust infrastructure and technological capabilities, 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.



The Group's strong finances and capital base gives us flexibility to grow the business.

Regulatory capital surplus

$265m

at 31 December 2018

Net tangible assets

$629m

at 31 December 2018

Chairman's statement

Overview of the year

2018, and the last quarter in particular, was a period of increased volatility across asset classes, heavily influenced by political and economic uncertainty. This created more challenging trading and performance conditions, with many asset classes and investment strategies globally losing money over the year. Despite this backdrop our range of strategies performed creditably delivering 1.0% of asset weighted outperformance[1] for clients for the year.

Funds under management grew in the first three quarters of the year, driven by strong net inflows, but the market moves concentrated in the last quarter more than offset our net inflows leading to a small decline for the year as a whole. The market environment also had an impact on performance fee generation and hence profitability, with adjusted profit before tax of $251 million for the year compared to $384 million in 2017. Within this management fee profits grew by 7% driven by higher average FUM during the year but performance fee profits were down from $181 million in 2017 to $34 million in 2018. Our statutory profit before tax was $278 million (2017: $272 million), which includes a $113 million gain from the sale of our stake in Nephila.

Our capital policy is to pay dividends equivalent to management fee profit and return to shareholders capital not required in the business. In line with that policy, in 2018 we repurchased $211 million of shares and the Board has recommended a final dividend of 4.06 pence per share, subject to approval by shareholders at the 2019 AGM. As a result of the 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 12.2% in sterling.

Our role as an asset manager

As an asset manager we play an important role in helping a broad range of investors meet their financial goals. Our objective is to create and preserve value for our institutional clients and the millions of individual savers and pensioners they represent. The Board spends a significant amount of time reviewing the performance of our strategies, monitoring the progress and development of business partnerships with the Group's major clients and the creation of customised product solutions to meet investor needs.

Man Group also recognises that responsible investment is part of 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. In 2018 we introduced a formalised structure that quantifies the degree of responsible

Funds under management

$108.5bn
at 31 December 2018

Statutory profit before tax

$278m
up from $272m in 2017

Proposed dividend per share

12.2%
increase from 2017 in £

Refer to pages 142–145 for details of the Group's alternative performance measures

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

Lord Livingston of Parkhead
Chairman

investment focus for all Man Group funds, as well as a proprietary list of sectors and companies ineligible for our portfolios. These developments will seek to ensure a clear and consistent approach to responsible investment across the Group's range of strategies, and inform the way we deliver our approach to Environmental, Social and Governance (ESG) investing to meet the multitude of client preferences.

People and culture

The right culture and values allied with the development of a deep and diverse talent pool are vital to our continued success. The promotion of management ambition has been a key area of focus for the Board during the year and we have spent time discussing with management their ongoing work to promote career development and mobility of talent within the business.

In addition the Board has spent time discussing people and the culture of the business, encouraging management in its promotion of diversity at all levels of the organisation and monitoring the implementation and impact of Man Group's core set of values. We consider it very important that Man Group is an employer of choice and, as part of our efforts to continually improve our firm, an employee survey was undertaken during the year. The Board reviewed the results of this survey, which identified what is working well, the areas for improvement, and management's subsequent plan of action on where they should focus their initiatives in the coming year.

Shareholders

At Man Group, we have an open and constructive dialogue with shareholders. In addition to the regular series of meetings with shareholders in 2018 we held a teach-in on technology in asset management, which was aimed at improving shareholders' understanding of the way we use technology both in the investment process and more broadly across the firm.

As our business evolves, it is important to ensure that it has a corporate structure that provides flexibility. Accordingly, we announced in October our intention to adjust the Group's corporate structure and international governance such that it is better aligned with the global footprint of the business today and to provide future flexibility in the capital structure of the Group. Further detail on this is included opposite. The proposal will be subject to shareholder approval.

Community

We are conscious of the impact our organisation has on the broader community, and we aim to give back and contribute positively to those around us. We achieve this primarily through our work with the Man Charitable Trust in the UK and our US based Charitable Trust. Our charitable focus is on promoting literacy and numeracy, and our employees are actively involved in charitable initiatives and volunteering opportunities local to the firm's offices through our ManKind Programme. ManKind gives employees the opportunity to take two additional days paid leave per annum to volunteer with charities supported by the two trusts or with a charity of their choice. The Company will continue to develop its work to promote diversity and social mobility in education and STEM subjects (science, technology, engineering and mathematics) particularly.

Board changes

In June 2018, we were pleased to welcome Zoe Cruz to the Board and as a member of the Remuneration Committee. During her 25 year career at Morgan Stanley, Zoe held various senior roles and her experience within global financial institutions, extensive knowledge of investment management and financial markets, and her strong US perspective makes her a valuable adviser and contributor to the development of Man Group's business. In October, Nina Shapiro, who had served as an independent non-executive director since 2011, retired from the Board. We would like to thank Nina for her contribution over the years and wish her all the very best for the future.

Outlook

Whilst 2018 was a more challenging year in terms of financial results, a significant amount of progress was made in 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 to both our clients and shareholders.

Lord Livingston of Parkhead
Chairman

Proposed change to corporate structure

The Group has seen significant growth in the size of its US business over the past five years alongside growth in other international markets and the UK. As a result Man Group is proposing to adjust its corporate structure and international governance such that it is better aligned with the global footprint of the business. The proposed structure should provide greater flexibility for the Group and support the effective and efficient governance of the business.

The Board believes a structure that is consistent with market practice for other global institutional asset management businesses would assist the Group in competing in those markets over the long-term. At present, the Group's businesses in the US and Asia are prudentially regulated by the UK authorities as well as local regulators. The proposed structure would result in the Group no longer being subject to global consolidated capital requirements and would therefore provide the Group with greater flexibility going forward comparable to other such global groups.

The proposal is expected to enhance the Group's flexibility in financing, including for example the seed capital programme that supports product innovation in our international businesses. Following the proposed change the Board will continue to judge the Group's capital needs against its operational and strategic requirements.

In order to implement this change Man Group plc is proposing to incorporate a new Group holding company in Jersey. The proposed change will have no impact on our presence or the business operations in London and the Group will remain UK tax resident with no expected change in our effective tax rate. The Group's shares would also remain UK listed.

Our business model

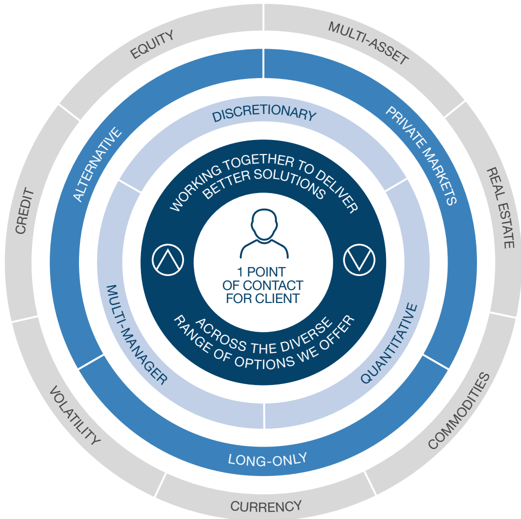
The long-term success of an asset management business is centred around the ability to generate outperformance for clients and to attract and retain client assets while controlling costs. This will generate regular cash flows which can over time be returned to shareholders.

What we do

We are a client-centric organisation, with the aim of delivering high-quality active management portfolio solutions. Each client has one point of contact at Man Group, whose role is to be an expert in that client's needs and work with them to meet their investment objectives.

Our investment engines 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 our ability to leverage diverse expertise from across the firm is a key differentiator for us.

Under Man Solutions, we bring together the breadth of skills found across our investment engines, providing innovative portfolio solutions for clients.



Strategic priorities

More on page 16

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

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.

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

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

Our business model is underpinned by

Our people
We hire and retain the best people whilst creating a meritocratic and collaborative environment for staff to reach their full potential.

More on page 34

A single operating platform
One operating platform, with back and middle-office functions that work across the whole group to optimise the efficiency of our operating model.

More on page 14

Risk management
Accountability is embedded throughout the business both for the management of investment funds and Man Group's business.

More on page 27

Our governance framework
Our robust corporate governance practices are of upmost importance to ensure effective oversight and strong accountability.

More on page 44

Strong finances and capital base
We have a strong financial base and actively manage our capital to benefit shareholders.

More on page 20

How we generate cash flows

Revenue generation
Investment performance and fund flows drive the economics of our business.

Management fees are typically charged for providing investment management services at a percentage of each fund's gross investment exposure or net asset value (NAV).

Performance fees are typically charged as a percentage of investment performance above benchmark return or previous higher valuation 'high water mark'.

The costs associated with our business model
Man Group is fundamentally a people business and the majority of our costs comprise payments to individuals whether they are third-party intermediaries or internal sales staff who distribute our products, our investment managers who manage investor assets or the teams that manage our operations and infrastructure.

Returns to shareholders
We split the Group's profits between management fee earnings and performance fee earnings. Management fee earnings are considered the most appropriate basis on which to pay ordinary dividends to shareholders as this represents the most stable earnings base and underlying cash generation of the business. Performance fee earnings, which are a more variable but valuable earnings stream for the Group, generate surplus capital over time which is returned to shareholders if it cannot be more profitably reinvested.

We deliver value for our stakeholders

Clients

More on page 13

Superior, risk-adjusted returns
1.0%
Net outperformance relative to peers in 2018

Servicing clients' needs
71%
Of FUM from clients invested in two products or more

We play a vital role in helping a broad range of investors meet their financial goals. Our objective is to create and preserve value for our institutional clients and the thousands of individual savers they represent.

Shareholders

More on page 26

Shareholder returns
$1.5bn
Over the last five years in dividends and share repurchases

Dividend
11.8¢
For the year ended 31 December 2018

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

Employees

More on page 34

Engagement
7.8/10
Employee engagement score

Employee turnover
10.8%

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

Community

More on page 42

Charitable trust
67
Charities supported by employees during 2018

Volunteering
52%
Increase in employees involved in volunteering projects

We recognise that our long-term future is shaped by the contribution to the communities in which we operate and our employees are actively involved in local charitable initiatives through our ManKind community volunteering programme. The Man Charitable Trust creates opportunities for positive change, giving grants to charitable organisations focused on literacy and numeracy.

Refer to pages 142–145 for details of the Group's alternative performance measures

What makes us different?

Technology

At Man Group we use innovative technology and quantitative techniques across our business and believe this enables us to deliver results for clients.

We believe that technology will play a key role in the future of active management and, today, it is a key driver of innovation and returns for our business.

We seek to develop our own technologies, including both software and hardware, as well as creating our own code and algorithms. We are also heavily engaged with the technology community, through our contributions to the open-source and Python ecosystem, and hosting of technology forums.

Our Alpha Tech team is unified across the investment engines, developing code in a single environment for maximum flexibility and portability across the business.

We believe that our capabilities today represent a small fraction of what we will be able to do in five or ten years' time. We are committed to being a leader in this area, and are continually investing in talent, technology and research as we strive to be at the forefront of the industry.

Strength through diversification

Man Group's investment managers have expertise across a diverse range of strategies to ensure the firm can offer products to meet differing investor appetite for risk and reward.

Our business has five specialist investment units, or engines, which represent our capabilities. 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 to clients.

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 across both liquid and private markets.

Deep client relationships

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.

We aim to develop long-term partnerships with our clients, through one key point of contact, who has a deep understanding of their individual needs and can deliver bespoke solutions from the broad range of strategies we offer across the firm.

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 Group has a powerful level of insight into investor preferences as well as regulatory requirements. We are a global firm and we want our clients and distributors to interact with specialists who speak their language and understand their needs.

"We go out of our way to create an excellent environment for the very best technologists."

Luke Ellis
Chief Executive Officer

Quantitative investment management experience

30+ years

Quants and technologists

524
at Man Group as at 31 December 2018

"One of the strengths of Man Group is the breadth of investment teams, and the ability of the firm to bring them together to help clients."

Sandy Rattray
Chief Investment Officer

Worldwide markets

650+
different markets that Man Group operates in at 31 December 2018

Investment strategies

72
different investment strategies and solutions run across the Group at 31 December 2018

"Building relationships with our clients is key to our long-term growth, particularly as an institutionally focused business."

Jonathan Sorrell
President

Breadth of our investment strategies

71%
of FUM from clients invested in two products or more

Global sales and marketing employees

193
at Man Group as at 31 December 2018

Market environment and industry trends

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

Global and macro themes

Continued macro uncertainty

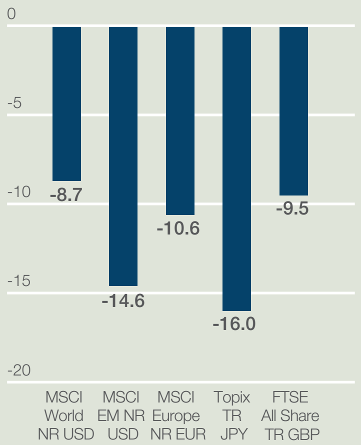
Risk assets started 2018 in a strong position, particularly in the US following tax reforms and strong growth forecasts but most major indexes ended the year down significantly, driven by a particularly volatile last quarter of the year as shown in the chart opposite. The Federal Reserve continued increasing rates in the first quarter of 2018 following concerns over inflation and raised rates four times in total during the year. This coincided with the start of what would be a year-long theme of uncertainty surrounding trade sanctions and negotiations between the US and China. Higher US interest rates and a strong US dollar weighed heavily on Emerging Markets, especially Turkey and Argentina. In Europe the main themes were Brexit, weak earnings and weak growth forecasts, all culminating in reduced investor risk appetite.

Looking forward to 2019 there is much to be resolved on the political landscape. Markets will be shaped by the outcome of the US and China trade negotiations and Brexit. It is also clear that markets are attempting to anticipate the end of the cycle, and the ensuing market turbulence.

Our response

We are not focused on the value or timing of the exact peak or trough of any economic cycle; that is the way to miss opportunities in the present. Instead we ensure that our risk management maintains high standards so that if markets do deteriorate sharply we are able to react swiftly. Man Group exists to deliver alpha through sophisticated, active management and we believe that 2019 offers us the opportunity to demonstrate this core skill.

Global indices 2018 (%)



Brexit

The two-year period to determine the terms of the UK's exit from the European Union ends in March 2019. As a result of the ongoing political processes, UK investment managers face continued uncertainty as to the future regulations post-Brexit which may impact their ability to access markets, make investments or enter into legal agreements within the EU.

Our response

Man Group has planned for plausible Brexit scenarios that may impact its business or its clients, including a "no-deal" Brexit. As of the beginning of 2019, Man Group has received regulatory approval to upgrade the regulatory permissions of its long standing Irish entity and has opened a physical office in Dublin, with seven employees initially which we have been able to resource with existing Man Group staff. Sitting alongside Man Group's existing regulated entity in Liechtenstein, this enhancement to Man Group's European footprint is likely to be further developed in 2019, with EU branches of Man Group's Irish entity established in certain EU Member States. This ensures that Man Group will remain able to service its existing European clients and to access new business in the EU.

We are also committed to ensuring that we provide every support to those members of our workforce who are EU nationals working in the UK. During 2018, we ran advisory sessions at both individual and group levels for EU citizens, and will continue with our ongoing programme of assistance to our EU national employees and their families. We are active participants in various industry forums, liaising closely 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.

Man Group will continue to monitor the political and regulatory developments closely in 2019, and will take all necessary steps to ensure that the impact of Brexit on its business, clients and employees is minimised, whatever its form.

Industry trends

Active versus passive

There are two major trends impacting flows in our industry. At one end of the spectrum there is a move to 'passive' investments such as index trackers for investors wanting to just follow the market at low cost. At the other is a move to highly active products that provide genuine alpha and manage portfolio risk by seeking returns uncorrelated with general market movements.

Our response

Although passive investments have a lower headline cost, they are charging only for beta and not alpha. At Man Group we are focused on high alpha strategies with higher than average active share (long only) or target returns (alternatives). We have successfully delivered alpha for our clients by more active management than most competitors and expect continued growth as a result. With a tougher market backdrop as we enter 2019, firms targeting superior risk adjusted returns should prevail. In addition, we do not just offer a limited menu of funds in which to invest, instead we work closely with our clients who value alpha generation to develop the products they feel are missing from their portfolios.

Margin compression

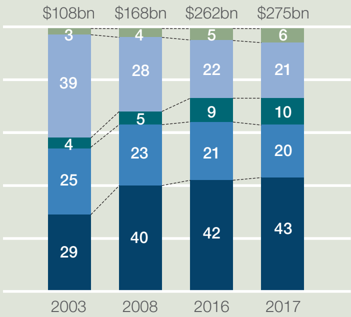
The average margin across the industry has been reducing over time as clients allocate towards cheaper products or seek to renegotiate fees.

Our response

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. Fee pressure has impacted certain areas of our business where price competition is more intense but our clients continue to pay full fees for innovative products with a strong track record and Man Group has a solid history of product development. 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 and client solutions within Man FRM or collateralised loan obligations (CLOs) within Man GLG.

Global AUM split by product (%)[1]

Global revenue split by product (%)[1]



Technology

The use of technology, in particular the use of artificial intelligence, has been a key theme and industry discussion point over the past few years. This theme is one that will continue into 2019 and for years to come. The rate of improvement in both software and hardware shows little sign of slowing and staying at the forefront of this evolution will continue to differentiate asset managers.

Our response

At Man Group, we use innovative financial technology and quantitative techniques across our business, and believe this enables us to deliver better results for clients. Our quant assets have grown 18% on a compound basis over the last three years with around half of the Group's FUM managed by our systematic managers; Man AHL and Man Numeric. We are committed to being a leader in this area, and have hundreds of researchers and technologists and decades of experience.

It is, however, not just our systematic managers that use machine learning. In 2018, Man GLG hired a number of quantitative researchers as part of our ongoing effort to provide our discretionary portfolio managers with better tools and techniques to support their analysis and trade execution processes. Machine Learning techniques have been researched at Man Group for a number of years and it is a natural part of what we do. We do not generally view it as a replacement for talented human researchers, but as a tool to enable people to tackle problems where the amount or structure of data or nature of patterns are hard to address by other techniques.

1 Some column totals may not total 100% due to rounding
Source: Boston Consulting Group (BCG), Global Asset Management 2018: The Digital Metamorphosis report

Chief Executive Officer's review

Whilst 2018 was a more difficult year in terms of financial results, a significant amount of progress was made in continuing to build the long-term value of the business.

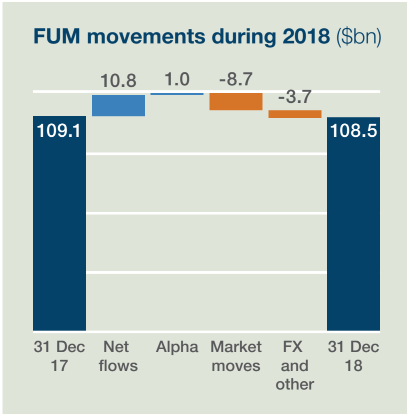
Overview

After two steady years of growth in asset prices, 2018 was characterised by an increase in stock market volatility, crises in Turkey and Argentina and slowing growth in China and Europe. Most major asset classes ended the year in negative territory and the bouts of volatility affected investment performance across many investment styles.

Against this backdrop we did a good job of delivering results in the areas we can control, namely generating outperformance for clients, developing client relationships and controlling costs while investing for growth. We outperformed peers by 1.0% on average across our strategies and we are pleased with the result given the tougher alpha environment. The client led growth in our business remained strong in 2018 and combined with the firm foundations laid across the organisation in 2017, translated into net inflows of $10.8 billion. The flows were broad based demonstrating the increasingly diversified nature of our business. Fixed costs were delivered below target and only slightly up on the prior year despite continuing to invest in new talent and technology and successfully managing the implementation of two major pieces of regulation, MiFID II and GDPR, aided by a more favourable FX hedge rate.

However, our absolute performance for 2018 was impacted by the market backdrop. Market moves, particularly for our long only strategies, combined with an FX headwind and a lack of basic momentum, broadly offset the strong net inflows resulting in a small reduction in FUM to $108.5 billion at 31 December 2018 as shown in the chart opposite. The lower closing FUM also means that run rate management fees as we enter 2019 are lower than for 2018.

Adjusted management fee profit before tax was up 7% driven by higher net management fees reflecting the strong FUM growth in 2017 and in the first three quarters of 2018, before declines in the fourth quarter. The more difficult performance environment resulted in a disappointing level of performance fee generation and adjusted profit before tax decreased to $251 million, compared to $384 million in 2017. Statutory profit before tax was $278 million, up slightly compared to 2017 with the gain on sale of our stake in Nephila offsetting the reduction in performance fee profits. Our business continues to be strongly cash generative with adjusted profit after tax (a good proxy for underlying operating cash flow) of $216 million in 2018.



Refer to pages 142–145 for details of the Group's alternative performance measures

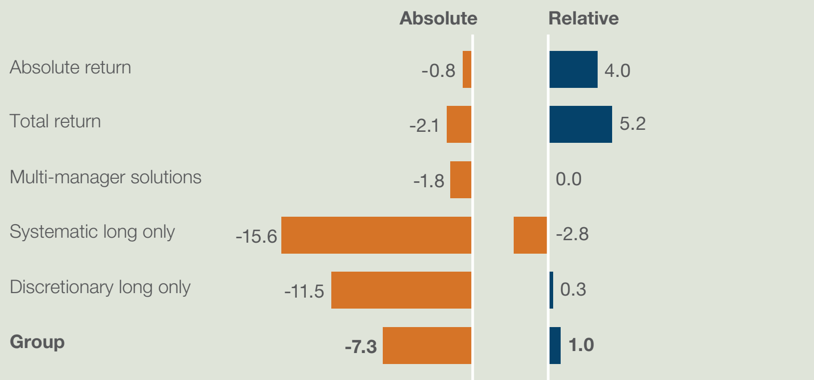
Luke Ellis
Chief Executive Officer

Performance[2,3]

Absolute performance in 2018 was heavily influenced by the increased volatility across asset classes with the larger impact being in our long only equity strategies as can be seen in the chart opposite. Performance in the absolute return category was down 0.8% with our discretionary alternative strategies having mixed returns but our quant alternative strategies holding up well despite it being a weaker environment for momentum. In the total return category the alternative risk premia strategy suffered negative returns but the emerging market debt strategy ended the year slightly positive. Systematic long only strategies were down on average 15.6% across the product category with returns ranging from -11.8% to -17.9%. Given it is the largest strategy in the Group, returns in the discretionary long only category were heavily affected by the performance of Japan CoreAlpha.

Relative performance across the Group was positive, with asset weighted outperformance versus peers[1] across our strategies of 1.0% for the year. The strong outperformance in the absolute return category was driven by our quant alternative strategies (outperforming the Barclay BTOP 50 Index by between 1.2% and 7.6%). Across our total return strategies Alternative risk premia continued its strong relative performance since launch and the emerging market debt strategy significantly outperformed competitors due to its bearish positioning. Systematic long only relative performance was weaker with underperformance of 2.8% in the year due to their value bias. Relative performance in the Group's discretionary long only strategies was slightly positive with Japan CoreAlpha performing ahead of peers and the UK and European long only strategies performing broadly in line with peers.

Absolute and relative performance in 2018 (%)



Progress against strategic priorities

Strong client relationships

In 2018 we saw continuing interest in our alternative risk premia, emerging market debt and UK and European discretionary long only strategies. Alternative risk premia was the biggest contributor to the net flows and is a good demonstration of our product innovation generating value to both clients and shareholders.

During the year, we built upon the engagement with our existing and target clients during 2017, making further progress in building long-term relationships with clients and adding new relationships with strategically important asset allocators and distributors globally. In line with this focus, we continue to see the trend of clients investing across the firm, with 71% of FUM at 31 December 2018 relating to clients invested in two or more products, and 48% relating to clients invested in four or more products. Our 50 largest clients are invested in three of our strategies on average which also demonstrates the breadth of engagement across the firm.

We repeatedly see that our clients value both the strength and breadth of our offering, and our ability to provide them with a single point of contact who understands them and their individual requirements. In addition, the combination of our centralised infrastructure and technology and the breadth of our investment strategies means that we are well-positioned to develop bespoke solutions to suit specific client requirements, drawing upon the varied investment expertise available across the business. We find that clients increasingly want strategies tailored to their unique needs. In response to this, we work closely with our clients to understand their circumstances and to create individualised solutions for them.

Innovative investment strategies

We actively manage risk across a wide array of asset classes and geographies on behalf of clients every day. The quality of our execution and risk management allows us to invest across markets in a size that is meaningful for clients. Our ability to manage that risk, and to rapidly adjust course as needed, gives our clients confidence in entrusting us with their assets. It also gives us the ability to identify and capitalise on new markets as they develop.

1 Refer to pages 142–145 for details of the Group's alternative performance measures

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

3 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.

Chief Executive Officer's review continued

> "We added some exciting new capabilities during 2018."

Asset weighted outperformance versus peers

1.0%
in 2018

Net inflows

$10.8bn
in 2018

Adjusted profit before tax

$251m
down from $384m in 2017

Refer to pages 142–145 for details of the Group's alternative performance measures

Across our quantitative business, ongoing focus on research continued to drive the development of our strategies. As an example, in 2018 we actively marketed the AHL TargetRisk strategy which currently trades $1.7 billion.

Within our discretionary business, we are embedding quantitative techniques to support and enhance the alpha from each team. Developments include the deployment of quantitative techniques to reduce systemic risk, as well as a quantitative trading portfolio within our long short equity programme, which complements discretionary decision making with a systematic overlay.
At a Group level, we made further progress in centralising our trading and execution function, including making a number of internal appointments, as we seek to build our own firm-wide centre of execution excellence in trading, trading technology and trading research. A globally coordinated central execution team allows us to adapt to today's more complex market structures with the goal of delivering better execution results for all of our investment engines. We expect this ongoing effort to further reduce trading costs and slippage, translating into improved performance for clients. In 2018 this lowered run rate execution costs by $140 million.

We remain committed to keeping technology at the heart of the firm in a rapidly evolving world and have appointed an Alpha Chief Technology Officer to manage the development of the technology used across the firm to generate and deliver alpha. He will be supported by a team drawn from across the investment engines. This new structure supports our vision of creating a central technology team, environment and platform which promotes the highest level of innovation and agility, whilst minimising any unnecessary duplication of technology, tools and processes across Man Group.

In 2018, we made great strides when it came to Responsible Investing (RI) as we explain on pages 38–40. While we will keep pushing for improvement, there are challenges in RI, the most important of which, in my view, is data. There is no consensus on how to measure environmental, social and governance (ESG) criteria for companies, for example, or quantify which investments are the most responsible. This is an area in which we are applying Man Numeric's unique skillset, to improve the collection and analysis of ESG data.

Efficient and effective operations

Our central infrastructure is the foundation on which the firm operates. This includes our proprietary central operational platform, which enables us to evolve and adapt as markets and our clients' needs do, as well as our infrastructure teams more broadly, which include enterprise technology, compliance, legal, human resources and operations functions.

As well as its ongoing benefits, our infrastructure positions us to integrate acquisitions or new teams rapidly, with the potential for significant operational cost synergies while preserving the investment process. We continue to review a large number of acquisition opportunities and while we haven't seen any that meet our criteria in 2018, we think this capability will prove valuable to shareholders in the longer term, as it has in the past.

We regularly 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. In 2018, we committed an additional $15 million of spend into our investment management and technology capabilities which will further support our ability to serve our clients globally.

A higher FX hedge rate and the impact of the new lease accounting standard means that our fixed costs will be higher in 2019, although both of these impacts will normalise in the longer term.

People and culture

We are fundamentally a people business. To best serve our clients and shareholders, attracting and retaining the best people and creating an environment in which they can achieve their potential remain top priorities for us. We place great importance on being an employer of choice and a good place to work for all employees. We are committed to conducting our business in accordance with the principles outlined opposite, which are embedded within all areas of the firm.

Business principles that guide our actions

Man Group's business principles are designed to distil and define the firm's key priorities, focus and culture. The principles are displayed in Man Group's offices internationally to promote a common understanding of the firm's values.

Performance

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

Clients

Our clients are at the heart of everything we do

Responsibility

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

Excellence

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

Differentiation

We seek to be differentiated and original in our thinking

Meritocracy

We succeed through talent, commitment, diligence and teamwork

We are a true meritocracy where we succeed through talent, commitment, diligence and teamwork. We are committed to supporting our employees so that everyone at Man Group has the opportunity to be the best they can be. Over the past 18 months we have developed a dedicated talent function which focuses on helping our people achieve their potential, both individually and within their teams.

We also know that by celebrating diversity and building an inclusive working environment, we will attract the best talent to our business. We believe that by embracing diversity in all forms we encourage original and collaborative thinking with multiple and differing perspectives which positions us to deliver the best results for our clients. We are committed to increasing diversity in all forms, at all levels, because we think it makes Man Group a better, stronger firm. Drive, our employee-led diversity and inclusion network, seeks to inform, support and inspire our people. During 2018, we saw the launch of three new employee networks within Drive – Families at Man, Pride (LGBT+) and BEAM (black employees at Man).

Early in 2018, we issued our first annual Diversity & Inclusion report, which included an overview of our initiatives to attract and develop diverse talent as well as our gender pay statistics. In the report, we introduced *Paving the Way*, our dedicated campaign to enhance diversity and inclusion at Man Group and across the financial services and technology industries more broadly. When it comes to achieving real change in diversity in our industry, there is no doubt that a less diverse pool of potential candidates is a challenge. We believe that we can, and must, take steps to address this 'pipeline' challenge proactively. We have introduced a number of initiatives to support this in recent years, including our efforts focused on school age to university students, and our *Paving the Way* campaign seeks to build our efforts in this area. Through reporting annually on our progress and commitment to diversity and inclusion, we will assess and monitor the success of this campaign and our strategy over time.

Regarding gender diversity specifically, in 2018 Man Group became a signatory to the Women in Finance Charter, a pledge for gender balance across financial services. As part of this, we have introduced a target of at least 25% female representation in senior management roles by December 2020. We are pleased to report a positive trajectory in relation to gender diversity across the firm, having seen an increase in the proportion of women in senior management roles from 16% in 2016 to 22% in 2018, and we are committed to further improvement in this area in the years ahead.

In 2018 we introduced our Enhanced Parental Leave Policy, which entitles every new parent, regardless of gender, to 18 weeks of parental leave at full pay. This is not dependent on location, and applies to both biological and non-biological new parents, as well as to employees providing foster care. We believe that this allows our people to take leave at one of the most significant times in their lives, underscoring our commitment to enabling our employees to have a true work-life balance.

I believe that we do our best work for our clients when we support our employees, and value their different perspectives and experience. I would like to thank everyone at Man Group for their contribution to the progress we made during 2018, particularly given the tougher market environment.

Outlook

Looking ahead, we have had a healthy number of new mandate wins but as clients respond to changes in the market and adjust their portfolios we have also seen a pick-up in redemptions. I remain confident that Man Group is structurally well positioned for the future with compelling investment propositions, deep client relationships and a competitive advantage in our experience of using financial technology to drive investment returns.

Luke Ellis
Chief Executive Officer

Progress against our strategy

In 2018, we made good progress against our strategic priorities. We 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

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

How we performed in 2018

- Appointed a Chief Investment Officer for Credit at Man GLG to help develop our offering in this asset class
- Deployment of quantitative techniques at Man GLG to reduce systematic risk
- Further progress made in creating a centre of execution excellence in trading, trading technology and trading research
- Started marketing the AHL TargetRisk strategy developed which raised $1.3 billion in 2018

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.

How we performed in 2018

- Hired additional talent in sales, further enhanced the sales training programme and created a new sales graduate programme
- Effort to increase the delivery of content from around the firm to clients to broaden and strengthen client relationships
- Successfully aligned resources to targeted opportunities adding a significant number of new relationships with strategically important asset owners during the year

Efficient and effective operations

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

How we performed in 2018

- Fixed cash costs were broadly in line with 2017 with investment in technology and investment management capabilities offset by efficiencies and an FX benefit
- Implemented two key pieces of regulation, MiFID II and GDPR
- Implemented a new finance and HR system which went live in 2019
- Implemented several Drive initiatives, including the launch of the BEAM (Black Employees at Man), FAM (Families at Man) and PRIDE (LGBT+) networks and signed up to the Women in Finance Charter

Returns to shareholders

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

How we performed in 2018

- Repurchased $211 million shares during 2018 across three buyback programmes
- Sale of Nephila which generated net proceeds of $140 million
- Announced proposed corporate restructure which should provide greater flexibility for the Group going forward
- Identified and reviewed around 100 potential acquisition opportunities during the year

For more information on how KPIs relate to our strategy
Go to page 18

For more information on how Risk relates to our strategy
Go to page 31

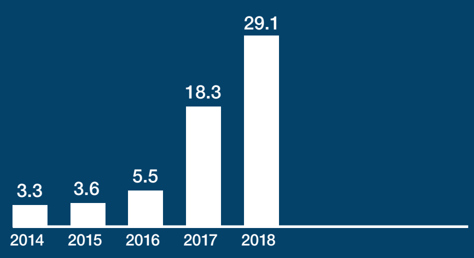
Raised in AHL TargetRisk strategies in 2018
$1.3bn

Lower run rate execution costs in 2018
$140m

Objectives for 2019

- Improve the consistency of performance within Man GLG
- Continue with the deployment of machine learning techniques to aid investment decision making across the Group
- Generate incremental high value add capacity in Man AHL
- Develop new strategies, particularly through collaboration between the capabilities of Man AHL, Man FRM, Man GLG and Man Numeric
- Continue the work on reducing execution and trading costs

Cumulative net inflows since 2014 ($bn)



Objectives for 2019

- 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

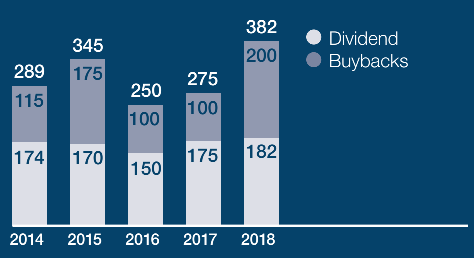
Fixed costs
$325m

Nationalities working at Man Group
64

Objectives for 2019

- 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 our Drive network and *Paving the Way* campaign

Returns to shareholders ($m)



Objectives for 2019

- Deliver the proposed corporate restructure subject to shareholder approval
- 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

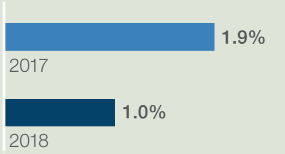
Key performance indicators

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.

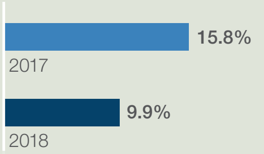
Financial

	Investment performance	Net Flows	Adjusted core profit before tax	Adjusted management fee EPS growth
	Target: 0%–2%	Target: 1%–6%	Target: $272m – $473m	Target: 5%–12%
	met	met	not met	met
What we measure	The asset weighted outperformance[1] of Man Group's strategies compared to peers gives an indication of the competitiveness of our investment performance against similar alternative investment styles offered by other investment managers.	Net flows[1] 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.	Adjusted core profit before tax[1] is a measure of overall profitability and cash generation. This measure excludes legacy income streams in relation to guaranteed products and commission income and profits from Nephila, so better represents the core business of Man Group today. As this incorporates both management and performance fee profits it reflects that performance fees, although volatile in nature, are a key earnings stream for Man Group and a significant component of value creation for shareholders over time.	Adjusted management fee EPS[1] growth in the year measures the overall effectiveness of our business model, and drives both our dividend policy (outlined on page 26) and the value generated for shareholders.
How we performed	We achieved asset weighted outperformance versus peers of 1.0% in 2018, and therefore achieved the KPI target. Further investment performance information is provided on page 13.	Net inflows of 9.9% in 2018 are above the target range, and indicative of the strong net inflows into our total return strategies, and smaller inflows into absolute return, discretionary long only and systematic long only strategies, partially offset by small net outflows from multi-manager solutions. Net flows of 15.8% in 2017 were at record levels. Further flows information is provided on page 21.	Adjusted core profit before tax of $237 million for the year ended 31 December 2018 fell outside of the target range, largely reflecting low levels of performance fee generation. For further information see page 23.	The adjusted management fee EPS growth of 9.3%, from 10.8 cents to 11.8 cents, was within the target range for 2018. Adjusted management fee EPS growth is largely driven by the higher net management fee revenues 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 144.
Changes to our KPIs	Asset weighted outperformance versus peers replaces the 2017 investment performance KPI of performance versus key strategies, in order to ensure the relative investment performance KPI reflects the continued diversification of our business. This provides a more complete and balanced view across Man Group's product base as it includes all strategies against which relevant peer benchmarks are available weighted by FUM, as opposed to certain identified key strategies. This measure is more dynamic and will change as the business continues to evolve, in line with Man Group's strategic priorities.	The net flows target range has been updated to 1%-6% from 0%-10% in prior year in order to better reflect industry trends and the market environment to provide a more appropriate target.	Adjusted core profit before tax replaces the 2017 adjusted management fee EBITDA margin KPI. Profit margin and overall profitability remain key priorities for the Board, and continue to be reflected in adjusted core profit before tax.	The target range for adjusted management fee EPS growth has been updated from 0%-20% plus RPI in 2017 to 5%-12%, which reflects attractive shareholder returns and better represents a stretch target for the markets in which Man Group operates. This target may be not met or may be exceeded in a particular year depending on wider market movements.

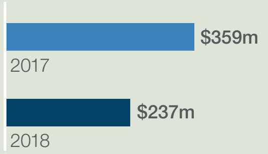
Investment performance:



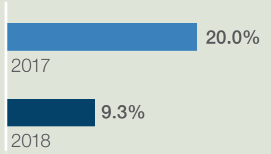
Net Flows:



Adjusted core profit before tax:



Adjusted management fee EPS growth:



1 Details of the calculation of our alternative performance measures are provided on pages 142–145.

Measure against our strategy

- Innovative investment strategies
- Strong client relationships
- Efficient and effective operations
- Returns to shareholders

Further reading

Linked to Remuneration – see page 67
Linked to Risk – see page 27

Why we are changing our KPIs

We have made some changes to our KPIs for the 2018 financial year, as outlined opposite. 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 changes to the Directors' Remuneration policy (see page 67).

Remuneration

Executive director remuneration is directly linked to strategy and performance, with particular emphasis on matching rewards to results over the long-term.

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 70 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 68–73

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 Directors' Remuneration policy which was approved by shareholders at the 2018 Annual General Meeting (AGM) 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 page 74

Shareholder engagement

The Remuneration Committee actively seeks to understand shareholder preferences and be transparent in explaining its policy and practice. During 2018 the Remuneration Committee Chairman spoke to a majority of our shareholders and their representative bodies to discuss the application of the policy that was approved by shareholders at the AGM in May 2018.

More on page 73

Chief Financial Officer's review

We were able to generate net inflows and outperformance across our strategies despite a more difficult performance backdrop for asset managers. Our diversified business helped us to grow our management fee profitability despite the environment.

Overview

In what has been a tougher environment for alternatives and long only equities, our funds under management are down slightly to $108.5 billion, despite another strong year of net inflows of $10.8 billion and relative outperformance in our strategies. The decrease was driven by negative absolute investment performance of $7.7 billion, largely from our long only strategies, as well as negative FX movements of $2.7 billion primarily as a result of the US dollar strengthening against most major currencies. The sale of our minority stake in Nephila in late 2018 generated a gain on sale of $113 million and cash inflows of $140 million. Nephila has been a profitable long-term investment, returning cash of over five times invested capital over the ten year life of our investment, reflecting our approach to capital management.

Net management fee revenue[1] was $791 million for the year, an increase of 7% from prior year as a result of higher average FUM during the year despite the fall during the fourth quarter, partially offset by margin compression. Our average management fee margin declined during the year, albeit at a slower rate than in 2017, which is primarily driven by mix effects across our diversified product range. Performance fee revenues decreased to $127 million, from $289 million in 2017, with over half of these generated by Man AHL's Evolution and Dimension strategies. We made a small loss on our seed book of $5 million, compared to a gain of $44 million in 2017. The risk management of our seeding positions protected us from larger losses given the market backdrop.

Total costs were $657 million, down from $676 million in 2017 largely as a result of lower performance fee related variable compensation, partially offset by higher asset servicing costs in relation to research costs incurred by Man Group as a result of the MiFID II implementation from January 2018. Our fixed costs remained broadly stable despite increased investment in our technology and investment management capabilities, largely as a result of cost efficiencies from centralisation of our London office space in late 2017 and the more favourable US dollar to sterling hedged costs rate in 2018. We have absorbed the administration related cost increases as a result of MiFID II.

	Year ended 31 December 2018	Year ended 31 December 2017
Statutory profit before tax	**$278m**	$272m
Statutory earnings per share	**17.0¢**	15.3¢
Adjusted profit before tax[1]	**$251m**	$384m
Adjusted earnings per share[1]	**13.5¢**	20.3¢
Adjusted management fee profit before tax[1]	**$217m**	$203m
Adjusted performance fee profit before tax[1]	**$34m**	$181m

1 Refer to pages 142–145 for details of the Group's alternative performance measures.

Statutory profit before tax has increased from 2017 due to the gain on sale of Nephila and a reduction in the fair value of our future earn-outs for previous acquisitions, partially offset by lower performance fee generation. The decrease in adjusted profit before tax[1] and adjusted earnings per share[1] was driven by the decrease in adjusted performance fee profit before tax[1]. Adjusted management fee profit before tax[1] increased in 2018 largely as a result of higher net management fees.

Our balance sheet remains strong and liquid, with net tangible assets of $629 million or 39 cents per share at 31 December 2018. We have a net cash position of $194 million and continue to be strongly cash generative, with operating cash flows of $319 million (2017: $245 million). We have returned over $1.5 billion to shareholders via dividends and share repurchases over the past five years (see page 26) and continue to focus on ensuring the business generates strong cash flows, either to return to shareholders or to reinvest to generate improved returns in the future. In line with this approach, during 2018 we announced a further $200 million of share repurchases.

Mark Jones
Chief Financial Officer

Our regulatory surplus capital[1] is $265 million at 31 December 2018. Our proforma surplus capital[1] is $340 million, including the impact of the new lease accounting standard applicable from 1 January 2019 which reduces our surplus capital by approximately $100 million. This accounting change has no impact on our cash flows, however it is expected to increase the total premises costs recognised in our income statement by up to $5 million each year over the next five years. It may also result in significant unrealised foreign exchange gains or losses as a result of the revaluation of our sterling lease commitments, which we expect to classify as an adjusting item from 2019 onwards (see further discussion on pages 24 and 107).

Funds under management (FUM)

$bn		FUM at 31 December 2017	Net inflows/ (outflows)	Investment movements	Foreign currency movements	Other movements	FUM at 31 December 2018
Alternative	Absolute return	**29.2**	1.4	(0.5)	(0.8)	(0.4)	**28.9**
	Total return	**16.5**	8.1	(0.4)	(0.6)	(1.1)	**22.5**
	Multi-manager solutions	**16.0**	(1.8)	(0.2)	(0.4)	(0.1)	**13.5**
	Total	**61.7**	7.7	(1.1)	(1.8)	(1.6)	**64.9**
Long only	Systematic	**26.8**	2.0	(4.2)	(0.1)	0.2	**24.7**
	Discretionary	**20.4**	1.1	(2.4)	(0.8)	0.5	**18.8**
	Total	**47.2**	3.1	(6.6)	(0.9)	0.7	**43.5**
Total excluding Guaranteed		**108.9**	10.8	(7.7)	(2.7)	(0.9)	**108.4**
Guaranteed		**0.2**	0.0	0.0	0.0	(0.1)	**0.1**
Total		**109.1**	**10.8**	**(7.7)**	**(2.7)**	**(1.0)**	**108.5**

Absolute return
Absolute return FUM remained broadly flat during the year, with net inflows into discretionary long short strategies being offset by negative investment performance and FX movements. The negative investment movement was a result of negative absolute performance in Man GLG and Man Numeric alternatives, partially offset by positive performance in Man AHL's Alpha and Dimension strategies. Other movements primarily relate to leverage changes in quant strategies.

Total return
Total return FUM increased by 36%, driven by net inflows of $8.1 billion primarily due to allocations to alternative risk premia, European CLOs and AHL's TargetRisk strategy. The negative investment movement was largely due to the absolute performance of diversified risk premia and muted absolute performance of EM debt total return, although both strategies have outperformed peers during the year. Other movements relate to CLO and global private markets maturities during the year.

Multi-manager solutions
Multi-manager solutions net outflows of $1.8 billion included the redemption of a large single investor infrastructure mandate for $2.2 billion, and net inflows of $1.2 billion from segregated mandates. The negative investment movement was largely driven by infrastructure mandates, where investment decisions are made by the investors.

Systematic long only
Systematic long only FUM decreased during the year as a result of negative investment performance, partially offset by net inflows into emerging markets core, international small cap and global low volatility. Negative investment performance was broad based with overall absolute performance down by 15.6% on average.

Discretionary long only
Discretionary long only FUM decreased by 8% due to negative absolute performance and foreign exchange movements, partially offset by net inflows. Net inflows were into UK undervalued assets, EM fixed income and continental Europe strategies. The negative investment movement, largely occurring in the fourth quarter, was driven by performance from Japan CoreAlpha. Other movements relate to the on-boarding of additional FUM into our strategic bond strategies.

Guaranteed products
Guaranteed product FUM reduced from $200 million to $100 million during the year as a result of maturities and de-gearing.

1 Refer to pages 142–145 for details of the Group's alternative performance measures.

Chief Financial Officer's review continued

Net management fee margins and revenue

$m	Year ended 31 December 2018	Year ended 31 December 2017
Absolute return	**370**	370
Total return	**111**	68
Multi-manager solutions	**54**	65
Systematic long only	**97**	89
Discretionary long only	**145**	119
Core net management fee revenue[1]	**777**	711
Guaranteed	**7**	12
Other income[2]	**–**	5
Net management fee revenue before share of after tax profit of associates	**784**	728
Share of post-tax profit of associates	**7**	8
Net management fee revenue[3,4]	**791**	736

1 Details of these alternative performance measures are included on pages 142–145.

2 Other income in 2017 primarily relates to a distribution agreement for Nephila products, which ceased in April 2017.

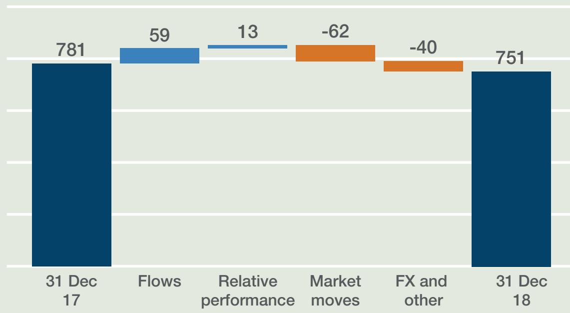
3 Net management fee revenue also includes $1 million (2017: $3 million) of management fee revenue relating to line-by-line consolidated fund entities for the third-party share.

4 Includes $51 million (2017: $56 million) of distribution costs which have been deducted from gross management and other fees of $835 million (2017: $784 million).

The Group's total net management fee margin[1] decreased by 6 basis points during the year to 70 basis points, with the reduction continuing to be driven by mix effects. The roll off of our guaranteed products contributed a one basis point decrease.

Within their categories, management fee margins stayed broadly in line with the prior year, with the exception of absolute return and multi-manager solutions. The absolute return net management fee margin decreased by 11 basis points as a result of the continued mix shift towards institutional assets which are at a lower margin.

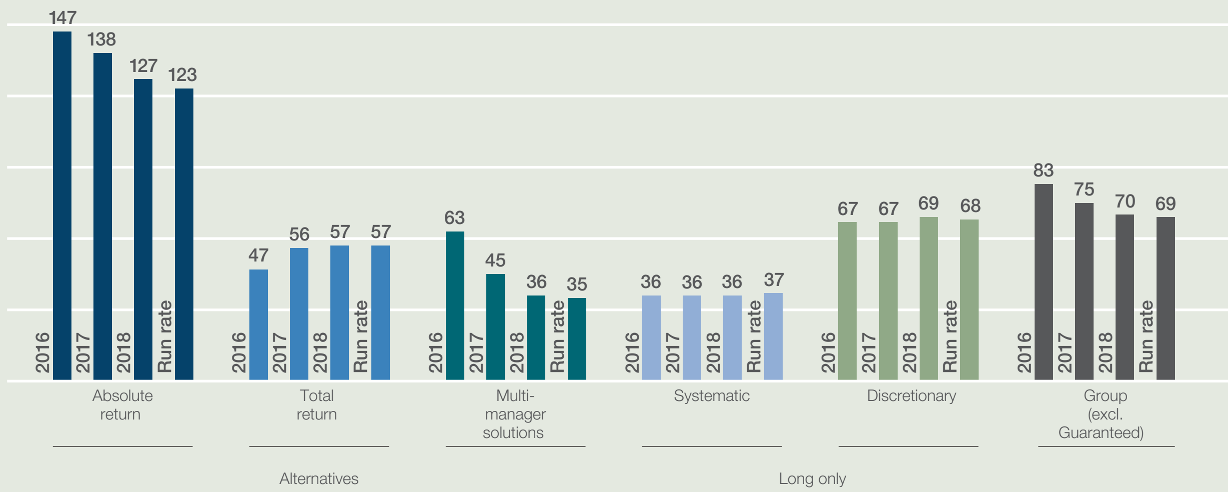
Run rate net management fee revenue ($m)



We expect the absolute return margin will continue to gradually decline as this shift continues. The multi-manager solutions net management fee margin decreased to 36 basis points in 2018, from 45 basis points in 2017, as a result of Man FRM's continued shift towards a solutions provider from traditional fund of funds manager. The multi-manager solutions margin is expected to decline further as the shift towards lower margin services continues.

Net management fee revenue grew by 7% in 2018 and core net management fee revenue[1] increased by 9% to $777 million in 2018, driven by growth in average FUM during the year, partially offset by the continued decline in our average margin as previously outlined. The Group's run rate net management fee margin[1] at 31 December 2018 was 69 basis points, and the run rate net management fee revenue[1] (which applies internal analysis of run rate margins to 31 December 2018 FUM) was $751 million. As can be seen from the chart above, this is lower than our 2018 opening position as the strong growth we generated from flows has been more than offset by market moves, concentrated in the fourth quarter.

Net management fee margin (bps)



Summary income statement

$m	Year ended 31 December 2018	Year ended 31 December 2017
Gross management and other fees[1]	**835**	784
Share of post-tax profit of associates	**7**	8
Distribution costs	**(51)**	(56)
Net management fee revenue	**791**	736
Performance fees[1]	**127**	289
(Losses)/gains on investments[2]	**(5)**	44
Net revenue	**913**	1,069
Asset servicing	**(51)**	(37)
Fixed compensation[3]	**(179)**	(174)
Variable compensation	**(257)**	(300)
Other costs – cash costs[1,3]	**(146)**	(147)
Other costs – depreciation and amortisation	**(24)**	(18)
Total costs	**(657)**	(676)
Net finance expense[3]	**(5)**	(9)
Adjusted profit before tax[3]	**251**	384
Adjusting items[3] (see page 24)	**27**	(112)
Statutory profit before tax	**278**	272
Adjusted management fee profit before tax[3]	**217**	203
Adjusted performance fee profit before tax[3]	**34**	181
Adjusted core profit before tax[3]	**237**	359
Statutory diluted EPS	**17.0 cents**	15.3 cents
Adjusted management fee EPS[3]	**11.8 cents**	10.8 cents
Adjusted EPS[3]	**13.5 cents**	20.3 cents

1 Management and other fees also includes $1 million (2017: $3 million) of management fee revenue, performance fees include $1 million (2017: $2 million) of performance fee revenue, and other costs includes a nil (2017: $1 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 119.

2 (Losses)/gains on investments includes losses on investments and other financial instruments of $10 million (2017: gains of $64 million) less the reclassification of management fee revenue of $1 million (2017: $3 million), $7 million of third party share of losses relating to line-by-line consolidated fund entities (2017: $14 million of gains), performance fee revenue of $1 million (2017: $2 million) and other costs of nil (2017: $1 million), as above.

3 Alternative performance measures are outlined on pages 142–145.

Performance fees and investment gains and losses

Gross performance fees for the year were $127 million compared to $289 million in 2017, which included $92 million from Man AHL (2017: $145 million), $31 million from Man GLG (2017: $85 million), $2 million from Man Numeric (2017: $52 million), $2 million from Man FRM (2017: $2 million) and nil from Man GPM (2017: $5 million).

Investment losses of $5 million (2017: gains of $44 million) primarily relate to losses on seed investments on a year end seeding book of $662 million (2017: $480 million), reflecting the more difficult market backdrop.

Asset servicing

Asset servicing costs vary depending on transaction volumes, the number of funds, and fund NAVs. Asset servicing costs were $51 million (2017: $37 million), which equates to around 6.5 basis points of average FUM, excluding systematic long only and Man GPM strategies. The one basis point increase, from around 5.5 basis points in 2017, is due to the inclusion of MiFID II related research costs from 2018.

Compensation costs

Total compensation costs, excluding adjusting items[3], were $436 million for the year, down by 8% compared to $474 million in 2017. Overall compensation costs decreased as a result of lower performance fee revenues, partially offset by higher management fee revenues. Fixed compensation increased by 3% as a result of a 5% increase in average headcount, driven by increased spend on our investment management and technology capabilities as announced in early 2018, partially offset by the more favourable hedged US dollar to sterling rate in 2018. With effect from 1 January 2020, fixed compensation costs will no longer be hedged into US dollars. The overall compensation ratio[3] increased to 48% in 2018 from 44% in 2017, which reflects the significant decrease in performance fee revenue generated in 2018. 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 performance fees are low and the proportion from Man Numeric and Man GLG is higher, and conversely we expect to be at the lower end of the range when performance fees are high and the proportion from Man AHL and Man FRM is higher.

Other costs

Other costs, excluding adjusting items as outlined on page 143, were $170 million for the year (2017: $165 million). Similar levels of cash costs were incurred in 2018, which is largely as a result of real estate efficiencies from the centralisation of our London office space in late 2017 as well as a more favourable hedged rate in 2018, partially offset by higher temporary staff costs due to the implementation of MiFID II. The Sterling hedged rate for 2019 is less favourable (1.36 compared to 1.29 in 2018) and will therefore increase the Group's 2019 US Dollar costs comparatively. With effect from 1 January 2020, other costs will no longer be hedged into US dollars. Depreciation and amortisation has increased by $6 million in 2018, driven by increasing levels of investment in our operating platforms year on year, which we expect to continue.

We also incurred $3 million of other costs in 2018 in relation to the proposed change to the corporate structure announced in October 2018, with up to a further $10 million expected to be incurred in 2019 as we complete the project, which are included as adjusting items per page 143.

Chief Financial Officer's review continued

Net finance expense
Net finance expense, excluding the unwind of discount on contingent consideration which is classified as an adjusting item[1], reduced to $5 million from $9 million in 2017 largely due to increased finance income as a result of higher interest rates as well as a slight increase in the average cash balance for the year.

Lease accounting change from 2019 – changes to other costs, depreciation and net finance expense
From 1 January 2019, the change in accounting for leases will bring our lease commitments onto the Group's balance sheet and also change the classification and recognition profile of costs associated with our leased premises going forwards.

Although this accounting change does not impact the Group's cash flows, the timing of recognition of our lease costs will be different under the new framework and will increase net expenses by up to $5 million annually in the five years following initial application, decreasing the Group's reported profits. Rental charges for leased premises, which are currently included within other costs, will instead be recognised through depreciation and interest expense. We expect this initial increase in net costs recognised will shift to a net decrease in the longer term.

The recognition of the lease liability on the Group's balance sheet will also increase the accounting foreign exchange exposure of the Group, largely driven by our Riverbank House premises which is payable in Sterling and expires in 2035. The revaluation of long-term lease liabilities into US Dollars, the Group's reporting currency, may therefore result in significant unrealised foreign exchange gains or losses being recognised in the Group's income statement. Given this is an unrealised, non-cash impact, we expect to classify any unrealised foreign exchange movements arising from the revaluation of these lease liabilities, and the associated deferred tax, as adjusting items from 2019 onwards.

The adoption of the new leases standard is expected to decrease our regulatory capital surplus by around $100 million from 1 January 2019[1].

Additional detail on the new leases accounting standard is provided in Note 1 to the Group financial statements (page 107).

Adjusted profit before tax and adjusted core profit before tax
Adjusted profit before tax[1] is $251 million compared to $384 million in 2017. Adjusted core profit before tax[1] is $237 million, down from $359 million in 2017 (further detail is provided in the KPIs section on page 18). Adjusting items[1] in the year are a net credit of $27 million (pre-tax), as summarised below. The directors consider that the Group's profit is most meaningful when considered on a basis which 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, and therefore 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.

Adjusting items $m	**Year ended 31 December 2018**
Revaluation of contingent consideration creditors	**31**
Unwind of contingent consideration discount	**(28)**
Gain on sale of Nephila	**113**
Compensation restructuring costs	**(1)**
Other restructuring costs	**(5)**
Amortisation of acquired intangible assets	**(83)**
Total adjusting items (excluding tax)	**27**
Recognition of deferred tax asset (refer below)	**20**

Taxation
The majority of Man Group'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% (2017: 14%) represents the statutory tax rates in each jurisdiction in which we operate, including nil for the US, applied to our geographical mix of profits. The effective tax rate on adjusted profit[1] was 14% (2017: 12%), which is the same as the underlying rate.

Tax on statutory profit for the year was $5 million (2017: $17 million), which equates to an effective tax rate of 2% (2017: 6%). The reduction in the effective tax rate is largely due to the gain on sale of Nephila not being subject to tax under UK tax legislation.

In the US, we have accumulated federal tax losses as well as tax deductible goodwill and intangibles which can be offset against future US profits and will therefore reduce taxable profits. The Group has recognised a deferred tax asset on the balance sheet of $62 million (2017: $42 million) in relation to these US tax assets, which has resulted in a $20 million credit to the tax expense in the year (2017: $17 million) and is included as an adjusting item[1]. Taking into consideration the remaining unrecognised available US deferred tax assets of $46 million (2017: $82 million), we expect the Group may begin to pay federal cash taxes on profits earned in the US in the next three to four years. The statutory effective tax rate on US profits is expected to be materially in line with the prevailing US federal tax rate as soon as 2020 as a result of the earlier recognition of these US deferred tax assets. The effective tax rate on adjusted profit will remain at nil until cash taxes are payable, as movements in the deferred tax asset are classified as an adjusting item[1].

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, including in the UK, and the consumption of US tax assets. 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 then be affected by the prevailing corporation tax rate in the US and the proportion of the Group's profits generated in the US. The underlying tax rate in 2019 is currently expected to remain consistent with 2018, dependent on the factors outlined above.

1 Refer to pages 142–145 for details of the Group's alternative performance measures.

Cash earnings and liquidity

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 $311 million during the year and cash balances at year end were $344 million, excluding cash relating to consolidated fund entities.

$m	Year ended 31 December 2018	Year ended 31 December 2017
Opening cash[1]	**356**	389
Operating cash flows before working capital movements	**311**	431
Working capital movements (including seeding)[1]	**8**	(186)
Payment of dividends	**(189)**	(158)
Share repurchase (including costs)	**(211)**	(92)
Payment of acquisition related contingent consideration, net of cash acquired	**(25)**	(9)
Proceeds from sale of investments in associates	**140**	2
Other movements	**(46)**	(21)
Cash at year end[1]	**344**	356

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

Working capital movements in 2018 principally relate to the year on year decrease in performance fee receivables and the early 2018 receipt of cash relating to a late 2017 large seeding position redemption, as well as an increase in the Group's seeding portfolio. The sale of our stake in Nephila in 2018 also generated significant cash receipts.

As at 31 December 2018, the Group's cash, less those balances ring-fenced for regulatory purposes, amounted to $308 million and the undrawn committed revolving credit facility, which matures in 2022, was $500 million. The management of liquidity is explained in Note 12 to the Group financial statements.

Balance sheet

The Group's balance sheet remains strong and liquid. Fees and other receivables have decreased as a result of the lower level of performance fees earned in December compared to the prior year, along with a decrease in payables for associated compensation accruals. The increase in investments in funds is driven by an increase in seeding investments, as outlined below, and the reduction of investments in associates is due to the sale of our stake in Nephila during 2018.

$m	31 December 2018	31 December 2017
Cash and cash equivalents[2]	**344**	356
Fee and other receivables[2]	**286**	614
Payables[2]	**(733)**	(848)
Net investments in fund products and other investments[2]	**752**	559
Pension asset	**24**	32
Investments in associates	**–**	29
Leasehold improvements and equipment	**46**	44
Total tangible assets	**719**	786
Borrowings	**(150)**	(150)
Net deferred tax asset/(liability)	**60**	33
Net tangible assets[3]	**629**	669
Goodwill and other intangibles	**964**	1,047
Shareholders' equity	**1,593**	1,716

2 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 (see Group financial statements Note 13.2 on page 119).

3 Equates to net tangible assets per share of 39 cents (2017: 41 cents).

Seeding investments

Man Group uses capital to invest in new products to assist in the growth of the business. At 31 December 2018, the Group's seeding investments were $662 million (refer to Note 13 to the Group financial statements), which have increased from $480 million at 31 December 2017 as a result of increased investment in new strategies as well as additional risk retention requirements on certain CLO products.

Chief Financial Officer's review continued

Capital management, including dividends and share repurchases

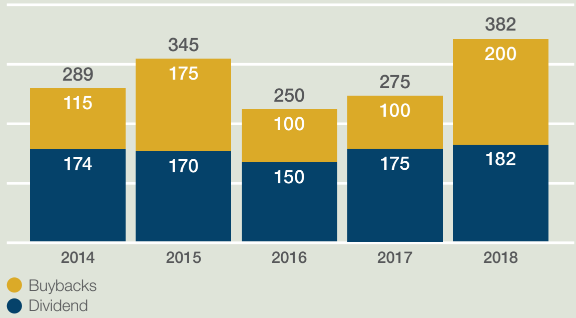
Our business has a strong record of cash generation. Adjusted management fee EPS[1] is considered the most appropriate basis on which to routinely pay ordinary dividends as this represents the most stable earnings base and underlying cash generation of the business, and as such Man Group's dividend policy is to pay out at least 100% of adjusted management fee EPS in each financial year by way of ordinary dividend. In addition, Man Group expects to generate significant surplus capital over time, primarily from net performance fee earnings. We then actively manage Man Group's surplus capital to seek to maximise value to shareholders and support the Group's strategy by either investing that capital to improve shareholder returns in the future, or to return it to shareholders through higher dividends or share buybacks, after taking into account required capital (including liabilities for future earn-out payments) and potential strategic opportunities to ensure we maintain a prudent balance sheet. Over the past five years we have returned $851 million through dividends and $690 million of share buybacks for shareholders (see opposite). There will be no change in the Group's capital management policy as a result of the intended corporate reorganisation in 2019, which was announced in October 2018 and is explained in more detail on page 5.

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.

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 116. At 31 December 2018, surplus capital[1] (over the regulatory capital requirements) was $265 million, an increase from $256 million in 2017. The Group's proforma surplus capital[1], which adjusts for H2 2018 profits as well as the proposed final 2018 dividend and the new leases accounting standard, is around $340 million. Details and reconciliation of movements in the Group's surplus capital are outlined on page 145.

Man Group plc's distributable reserves were $2.0 billion before payment of the proposed final dividend (outlined opposite), 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.

Returns to shareholders[2] ($m)



2 Dividends are shown for the related financial year and buybacks are shown in the year of announcement.

The Board is proposing a final dividend for 2018 of 5.4 cents per share, in line with our dividend policy, which together with the interim dividend of 6.4 cents per share equates to a total dividend for 2018 of 11.8 cents per share, growth of 9% from 2017. The proposed final dividend equates to around $83 million, which is more than covered by the Group's available liquidity and regulatory capital resources. Key dates relating to the proposed final dividend are provided in the Shareholder information section on page 146.

Mark Jones
Chief Financial Officer

1 Refer to pages 142–145 for details of the Group's alternative performance measures.

Risk management – a unified approach

Risk management is fully embedded into our approach, both to the management of funds on behalf of our investors, and the management of Man Group's business on behalf of our 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 changing environment. Independent fund boards are responsible for protecting the interests of fund investors.

Developments in 2018

Investment underperformance continues to be the biggest risk facing the Group. 2018 has been a challenging year for the Group's fund performance on an absolute basis, but saw average outperformance against peers. The risk is mitigated by diversification of product offerings. Performance fees fell by 56% compared to 2017, as described on page 20. Funds under management fell by $0.6 billion in 2018, as described on page 21.

The expansion of our product offering is supported by our balance sheet, which we have utilised to continue the Group's seeding programme. 2018 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.

Markets in 2018 were challenging for investors. We saw a February volatility spike which was challenging for all trend following strategies, and declines in equity markets which affected our long only strategies.

Our counterparty and clearing house credit 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. Regulation evolved at different paces across the world.

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

In March, we completed the $100 million share repurchase programme announced in 2017. In April, we announced a $100 million share repurchase programme which we completed in October. Later in October, we began a new share repurchase programme which will return $100 million of capital to shareholders. As at 31 December 2018, the programme was 38% complete.

Man Group'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 Audit and Risk Committee (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 2018 and there were no material changes to the risk tolerances of the business. A summary of the risk appetite statements is available on our website.

Brexit

The UK's decision to invoke Article 50 of the Treaty on European Union in March 2017 triggered a withdraw process of the UK from the European Union (EU) by 29 March 2019. This process has political, legal and tax implications for the UK and may impact general economic conditions in the UK and other European countries.

As a result of the ongoing political processes, UK investment managers face continued uncertainty as to the future regulations, and to their post-Brexit ability to access markets, make investments or enter into legal agreements within the EU.

Man Group has planned for a range of Brexit scenarios that may impact its employees, business or its clients, including a "no-deal" Brexit. As of the beginning of 2019, Man has received regulatory approval to upgrade the regulatory permissions of its existing Irish entity and has opened a physical office in Dublin, with locally-based staff. This sits alongside Man Group's existing regulated entity in Liechtenstein. This allows Man Group to remain able to service its existing European clients and to access new business in the EU.

Man Group will continue to monitor the political and regulatory developments closely throughout 2019, and will take necessary steps to ensure that the impact of Brexit on its employees, business and its clients is minimised, whatever its form.

Risk management continued

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 active investment decisions on behalf of their clients in order to manage their capital. Man Group'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 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 and emerging 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.

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 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) which was reviewed and approved by the Board in July. 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 ARCom on strategy, risk and controls, as well as dashboards across risk, compliance, finance and internal audit. The principal and emerging risks are considered within the Board's risk appetite framework.

Three lines of defence

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

The framework instils the principles of direct responsibility for risk management in each business unit. Embedding accountability with each employee 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 against best practice.

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.

1 Includes the Group's financial controls framework.

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 Group's Risk Governance and Appetite Framework. This included a change to a quantitative risk metric and associated loss tolerance, and refinements to the qualitative statements. 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 ARCom. The report from the Chairman of the ARCom on pages 58–63 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 the certifications were correct.

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 reviewed an update on the commercial risks relating to Man Group's current business mix and model, along with relative revenue impacts, that could have a material impact at Group level. The Board reviewed and discussed the Group's emerging risks and Man Group's response to these.

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 2018 and up to the date of this Annual Report. This review included a robust assessment of the Group's principal and emerging risks (see details on pages 31–33) 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 Risk and Control Self Assessment (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.

Risk management continued

Assessment of principal and emerging 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 2018, however risks linked to a no-deal Brexit have been a focus and the Group does not currently have any integration risk. 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 Group 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 and emerging 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 and emerging risks on pages 31–33 and explained how they are being managed or mitigated.

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 58 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 balance sheet financial risks and the adequacy of economic capital and liquidity buffers. The RAF is chaired by the Chief Financial Officer.

Principal and emerging risks

Our strategic priorities
Innovative investment strategies
Strong client relationships
Efficient and effective operations
Returns to shareholders

Change in status and trend
Increased
Unchanged
Decreased

Business risks

Link to strategy

Risks	Mitigants	Status and trend
Investment underperformance Fund underperformance on an absolute basis, relative to a benchmark or relative to peer groups could 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.	Increased 2018 was a challenging year for many of Man Group's funds in absolute terms. However asset-weighted relative performance to peers has been positive. Net flows have not been materially impacted by absolute performance but the risk has increased. Diversification across Man Group's product offerings reduces the overall risk. The discussion of Man Group's performance is on pages 12–15.
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 Group. Succession plans and deferred compensation schemes are in place to support the retention of senior investment professionals and key management.	Increased Man Group has continued to be able to attract and retain an array of talented individuals across the Group. Voluntary staff turnover has been higher than prior years. Departures of portfolio managers were managed through a succession plan of internal promotion and new hires and resulted in low voluntary redemptions from strategies they were managing.

Credit risks

Link to strategy

Risks	Mitigants	Status and trend
A counterparty with which the funds or Man Group have financial transactions, directly or indirectly, becomes distressed or defaults. Shareholders and investors in Man Group funds and products are exposed to credit risk of prime brokers, custodians, sub-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.	Unchanged Increased regulatory scrutiny, stress testing and capital requirements for investment banks and central clearing houses supports the overall stability of Man Group's core counterparties. 2018 saw credit spreads widen for most names, particularly European banks. However there were no periods of heightened concern any individual names which resulted in a change in Man's risk appetite to them.

Liquidity risks

Link to strategy

Risks	Mitigants	Status and trend
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. Liquidity forecasting, including downside cases, facilitates planning and informs decision making. 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.	Decreased 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.

Principal and emerging risks continued

Market risks

Link to strategy

Risks	Mitigants	Status and trend
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 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 and hedges are monitored regularly by Group Risk and reviewed by the SIC.	The seeding book grew in size in 2018, but its downside risks were reasonably constant over the period due to our hedging processes. Overall seeding book returns for 2018 were moderately negative; a strong H1 followed by more challenging markets in H2. Nevertheless, the hedges performed as expected and helped protect capital in a more difficult market.
Pension 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 UK interest rates. The return seeking assets are low volatility and have a low correlation to equity markets. Longevity is the largest remaining risk, but is uncorrelated to Man Group's other risks.	Following the completion of triennial valuation the fund received the asset value from the Reservoir Trust such that it was fully funded as of 2017 year end, with the surplus returned to Man Group. During 2018 a small deficit, on an actuarial basis, has appeared due to underperformance of the return seeking funds.

Operational risks

Link to strategy

Risks	Mitigants	Status and trend
Internal process failures Risk of losses resulting from inadequate or failed processes within Man Group.	The Group's risk management framework and internal control systems are based on a three lines of defence model. Internal Audit evaluates the effectiveness of the Group's risk management, control and governance processes.	The Group remains focused on enhancing its systems and control processes where required and ensuring internal process failures are kept to a minimum.
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 robust methodology (including ongoing third party due diligence and KPI monitoring) to confirm that outsourced service providers are delivering as required.	The Group continues to concentrate 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.
Information 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.	Man Group has a mature information security management programme which governs current and future strategy. The Group has deployed cyber controls and counter-measures which are continuously reviewed, maintained and adjusted in line with our assessments and those of trusted advisors. These security mechanisms are deployed in a layered defence involving preventative, detective, reactive and recovery controls. If one control fails, other controls are in place to detect, prevent or counter an attack. To keep pace with emerging risks, some of the technology solutions are utilising machine learning and behavioural analysis. 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.	In 2018 cyber-crime groups have used the tactics, techniques, and processes more commonly associated with state sponsored espionage campaigns. Such techniques include whaling, spear phishing, and extensive reconnaissance and lateral movement within a victim network. The attacks have been effective because they circumvent traditional endpoint defence technologies. These groups are frequently looking for data to sell on or request a ransom for its safe return. This trend is expected to continue through 2019.

Our strategic priorities
Innovative investment strategies
Strong client relationships
Efficient and effective operations
Returns to shareholders

Change in status and trend
Increased
Unchanged
Decreased

Operational risks continued

Link to strategy

Risks	Mitigants	Status and trend
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. Alpha and Enterprise Technology are 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.	Unchanged The Group continued to improve its technology capability through 2018 with the implementation of a cloud based Finance and HR platform and further enhancements to the trading and support systems. A strategic roadmap for further advances in technology to support the business needs has also been developed.
Legal and regulatory 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, SEC, FINMA, CBI.	Increased Man continues to experience new regulatory requirements. In 2018 this included the Markets in Financial Instruments Directive (MiFID II) and the General Data Protection Regulation (GDPR) both of which were successfully implemented. Work is already underway on the Senior Managers Certification Regime (SMCR) due in December 2019. 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.
Brexit The Group faces legal and regulatory uncertainty which could impact the ability of funds to access markets or cause investors to redeem. Fund performance may be adversely impacted by market volatility or reduced liquidity. Operational events may result from an elevated volume of legal or operational tasks.	Man Group has upgraded the regulatory permissions of its Irish entity to serve European clients. The fund risk toolkit, including limits and stress testing, ensures that funds are managed within their mandate and downside risks are understood.	Increased The prospect of a no-deal Brexit has increased. The group is monitoring the political and regulatory developments closely and will take the necessary steps to ensure that the impact on the business, investors and employees is minimised.

Reputational risks

Link to strategy

Risks	Mitigants	Status and trend
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 core counterparties and 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.	Increased Man Group continues to enjoy a good reputation and this risk is assessed as stable.

Emerging risks

Link to strategy

Risks	Mitigants	Status and trend
Primarily external in nature and complementary to the principal risks which are focused on current internal risk. The emerging risk categories include disruption to financial markets and business infrastructure, political risk and changes in the competitive landscape.	The Board and Group Risk monitor emerging risks, trends and changes in the likelihood of impact. This assessment informs the universe of principal risks faced by the firm.	Unchanged The emerging risks have been reviewed by the Board. No changes were made to the firm's principal risks.

People and culture

At Man Group we believe in the importance of a meritocratic and collaborative environment, 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.

"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."

Robyn Grew
Chief Administrative Officer

Employees

1,435

at 31 December 2018

Internal transfers

150

during 2018

Nationalities working at Man Group

64

at 31 December 2018

Employee turnover

10.8%

in 2018

Recruitment, retention and development

The acquisition, development and retention of talent at all levels and across all functions and regions continues to be a long-term business goal, and therefore will always be a key focus area for our executive team.

We continue to source high quality entry-level talent via a number of graduate and intern programmes within investment management, sales and finance/operations. A successful hiring campaign during 2018 will see us on-board our highest number of investment management trainee analysts to date in 2019.

Our experienced hires are sourced through a range of channels. We have a strong presence in the recruitment marketplace and our recruitment teams in London and New York seek to maximise direct hiring across a range of roles. We also have an internal search team based in London but with a global remit – this enables a proactive and targeted approach to talent acquisition for senior and key front office positions.

The retention and development of our workforce is of paramount importance and we strive to make internal appointments wherever possible to maximise career progression and in turn maintain good retention levels. Our global presence creates opportunities for our people to gain international experience via short-term placements and permanent relocations.

During 2018 we also built out a dedicated Talent function with presence in the UK and US, offering a range of global programmes and initiatives which develop skills and support enhanced performance – these include internal coaching capabilities and people strategy consulting.

Voluntary turnover remains low across the firm, supported by our ongoing retention-focused activities, including regular performance evaluations, active succession planning processes, and a commitment to promoting career development and internal transfers and promotions.

Feedback is actively provided and sought throughout the firm, on an ongoing basis as well as via structured year-end processes. The senior Executive Committee have regular discussions about our workforce, its development and our succession plans, supported by the HR and Talent teams. This facilitates a rigorous approach to identifying and nurturing key talent in order to mitigate any key person and/or continuity risk.

We continue to offer development to our workforce via training programmes (online and classroom based), seminars, workshops and professional qualifications. Where appropriate we also offer external coaching, as an alternative to our internal coaching capability, as well as structured mentoring.

Employees are empowered to take ownership of their own development, including selecting appropriate training opportunities, 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.

The decision to invest $15 million in our investment management and technology capabilities means that Man Group's total headcount, including contractors and consultants, has increased from 1,325 at 31 December 2017 to 1,435 at 31 December 2018. 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 2018, 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 and saw a good uptake from staff.

See pages 67–89 for the Directors' Remuneration report.

Employee engagement

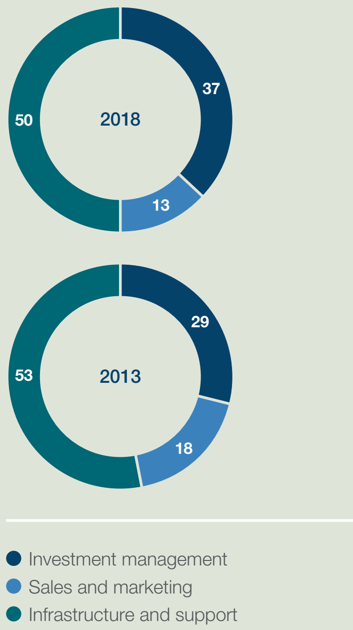
To ensure that Man Group's employees are aware of business priorities and the latest developments across the firm, they receive a range of communications and information.

We share a daily internal newsletter with all employees, run a programme of presentations from executives across the firm (the Business Education Series) and host regular town-halls. 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.

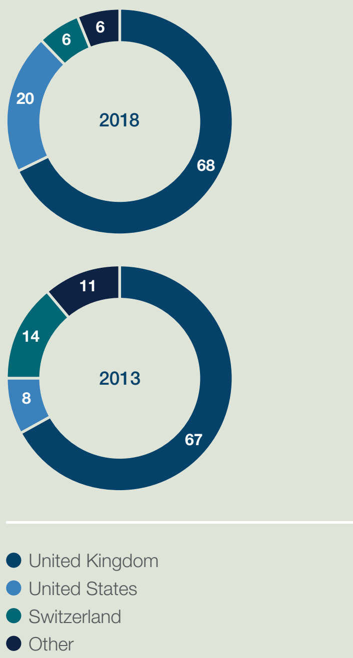
In accordance with our business principles, we are dedicated to ensuring that Man Group is a great place to work, where people know that success and achievements are based solely on merit. Our Employee Recognition Awards for those individuals who go above and beyond their day-to-day responsibilities in service of the business, continue to be well-received. The award winners are recognised in a firm-wide announcement from Luke Ellis and are invited to a meeting so he can personally recognise their contribution.

In 2018, 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 various supporting initiatives including mindfulness sessions, healthy eating seminars, onsite cancer checks, a children's wellbeing workshop and benefits roadshows as well as access to a range of webinars on topics such as managing stress, sleep & wellbeing and building resilience. 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, and take steps to enable this through technology.

People by function (%)



People by geography (%)



People and culture continued

2018 also saw us introduce a new global enhanced gender neutral parental leave policy, which offers all new parents 18 weeks fully paid leave. Alongside this policy, we have made specific provision for those who have premature babies and those who are foster parents, recognising the importance of family responsibilities and work-life balance for staff engagement and motivation.

We are pleased to report that our 2018 employee survey recorded an improved engagement score of 7.8 out of 10 with an encouraging 83% response rate. We sought feedback from across the firm and use this information to inform the initiatives we undertake to continually enhance Man Group as a place to work. Our senior management team were able to access the feedback directly on a real time basis, enabling them to see detailed comments and drill down for deeper analysis of the results, and Group level results have been presented to the Board and Executive Committee. Following completion of the survey in October, we have already seen significant engagement from business leaders with respect to action planning and communication of results, with further activity planned for 2019.

During 2018, Marina Ebrubah and Cliodhna Murphy were recognised as finalists for the Unsung Hero Award at the Investment Week's Women in Investment Awards which celebrates women in infrastructure who have gone above and beyond to encourage diversity in the workplace. They were joined by Deborah Kester, Global Head of Human Resources.

Diversity and Inclusion

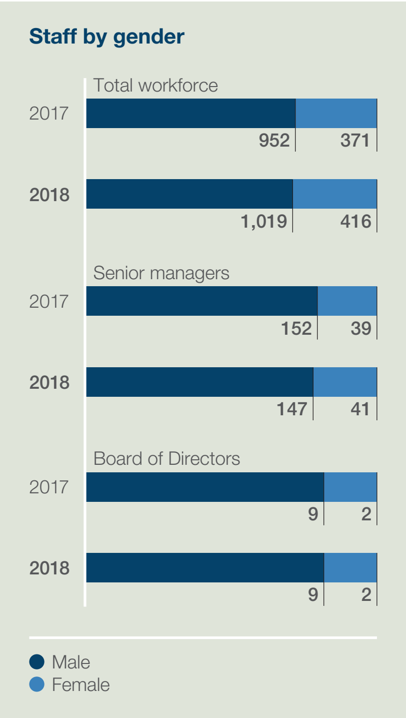
Man Group's culture is based on mutual respect for others, a commitment to prioritising diversity and inclusion, and a zero tolerance approach to discrimination of any kind. By celebrating diversity in all its forms, and building a consciously inclusive working environment, we believe that we encourage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

Alongside our existing senior Diversity and Inclusion (D&I) steering group, we have now introduced a larger D&I working group in the UK along with smaller regional working groups in our other offices, 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 is the global internal D&I network, run by our employees and sponsored by the senior management team. Drive is designed to inform, support and inspire our people. The network's mission is to advance Man Group's efforts in promoting inclusion and valuing diversity in all forms including gender, sexual orientation, ethnicity and disability. Its activities include events, training, resources and peer engagement across the firm. We also conduct diversity training at the senior management level. We connect regularly with peer organisations to host joint events and share knowledge. Robyn Grew, Man Group's Chief Administrative Officer and General Counsel also chairs Alternative Investment Management Association's (AIMA) diversity group, giving us external presence in this space.

2018 has seen the successful launch of a number of staff networks under the Drive banner, each sponsored by a senior leader within the business. We are delighted to have the following networks, which consist of both members and allies, actively running events and supporting our workforce:

- BEAM Network (Black Employees at Man)
- FAM Network (Families at Man)
- PRIDE Network (LGBT+)

Successful Drive events this year have included a neuro-diversity workshop, paediatric first aid training and celebrations for both International Women's Day and International Men's Day. We have been fortunate to host a number of inspiring speakers who are passionate about inclusion, and who work across the worlds of elite sport, law, government and education. We run regular lunch & learn sessions covering a range of topics from career progression to the challenges associated with being a working parent/carer. We marked Black History Month with an awareness campaign, and delivered various D&I focused sessions including a seminar to mark Autism Awareness Day as well as regular lunches to celebrate cultural diversity with themes including Diwali, Chinese New Year, Cinco de Mayo and Eid.



As part of our commitment to D&I, we are focused on achieving a better balance between male and female employees across the business, and particularly at senior levels. Overall gender balance across the business and at all levels of seniority remains a challenge for us, as it does for many other organisations within our sector.

Man Group is supportive of the requirement for employers in the UK to calculate and publish their gender pay gap, and we have again published our figures within our annual D&I report. The data still demonstrates the lower representation of females in investment management and senior roles, but we are committed to addressing this, and continue to make significant efforts to do so. Initiatives range from hosting events to encourage the pipeline of female talent at the firm and in the broader industry, to mentoring for women within the firm and our partnership with Women Returners to support those returning to work following a career break. While we do not see a gender pay gap across similar roles, we recognise that this isn't enough to attract and retain talent and 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 have seen ongoing progress in terms of gender balance within our graduate recruitment during 2018 and consequently our 2019 investment management intake is evenly split. We continue to work proactively with schools and education providers to promote our industry to those studying courses from which financial services firms do not traditionally hire. 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.

During 2018, we were proud to sign up to the Women in Finance Charter and have set ourselves a target of 25% female representation in senior management roles by the end of 2020. Additionally both our Chairman and CEO are now members of the 30% Club, a cross-business initiative aimed at achieving better gender balanced boards through voluntary, business-led change.

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 Bright Network, a career network of bright students from a range of backgrounds. 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 Girls Who Invest.

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 fifth cohort of apprentices on board working within our technology, investment marketing and talent teams.

Man Group is committed to providing equal employment opportunities, and discrimination 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 66 for the Board's diversity policy.

Corporate responsibility

Corporate responsibility is an essential element of our business proposition. It sets out the standards we believe are appropriate and necessary in meeting the needs of our stakeholders. In practice, this covers the way we conduct our business and interact with our people, investors, clients, suppliers and the wider communities in which we operate as well as mitigating our environmental impact.

Responsibilities to our industry

At Man Group, we recognise that responsible investment (RI) 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 RI closely aligns us with the values of our clients, shareholders and other stakeholders.

Accordingly, 2018 marked a pivotal year for Man Group's approach to RI. Having developed frameworks for policy, organisation and education the last several years, Man Group formalised RI as a core function in 2018.

Man Group appointed Jason Mitchell as Co-Head of Responsible Investment alongside Steven Desmyter. Reporting to Man Group CIO Sandy Rattray, Jason works across the firm's investment engines to ensure that investment processes and policies identify and integrate operational, governance and strategic risks. He is also responsible for directing the development of impact, thematic and norms-based investment strategies, as well as the broader integration of environmental, social and governance (ESG) criteria across asset classes and multi-asset solutions.

We also formalised our funds within the Man Group RI Fund Framework. Designed to establish a baseline requirement of ESG standards, we believe this framework will help ensure credibility and consistency in our approach to RI, while also accommodating for the diversity of strategies across our different investment engines.

At the same time, we introduced a firm-wide RI exclusion list, a list of designated sectors that will be excluded from the Company's RI-integrated or RI-dedicated funds. The proprietary list of excluded sectors is in line with international standards and global consensus, and includes:

1) Controversial weapons – companies involved in the production of anti-personnel mines, cluster munitions, chemical, biological weapons, depleted uranium weapons and/or nuclear weapons;

2) Tobacco – companies that are involved in the production of tobacco or are suppliers of significant components of cigarettes;

3) Production of coal and coal-based energy – companies where the production of coal or provision of coal-based energy represents more than 30% of revenues.

As part of our commitment to stewardship and corporate governance, Man Group is in the process of moving proxy voting providers, as well as moving into an ESG-focused policy. This new policy will mean we are more active when it comes to sustainability issues and we will look to impress standards upon the companies we invest in. The Man Group Stewardship and Active Ownership team will also maintain a list where Man Group is engaging with the companies, issues and process of engagement.

ESG data has matured over the last decade, and we believe that we are entering a phase where the data has both a long-enough history and broad-enough coverage to make it potentially useful to quantitative investment firms. However, ESG data is qualitative, discretionary and unregulated. Indeed, the ESG data we obtained from vendors typically has a short history and is often retroactively collected. This is an area in which Man Numeric is applying its unique skillset – to improve the collection and analysis of ESG data. We believe that by spending the time to understand the nuances of each vendor's methodology and properly handling their data quirks can lead to a unique, alpha-generating dataset. Man Group is firmly committed to promoting integrity and transparency within the investment management sector, and ensuring that we hold ourselves accountable to the highest standards of ethical conduct and responsible investment.

> "Our responsibility is to pursue the highest standards of behaviour, both corporate and individual, which underpin our reputation and maintain the trust and loyalty of our clients and stakeholders."
>
> **Robyn Grew**
> Chief Administrative Officer and General Counsel, Man Group

Awards

HEDGE FUNDS REVIEW
EUROPEAN PERFORMANCE AWARDS 2018
Best ESG/SRI management company
Man Group

Man Group's commitment to responsible investment earned recognition this year. Man Group was awarded 'Best ESG/SRI management company' in the Hedge Fund Review European Performance Awards 2018.

Signatories

United Nations-supported Principles for Responsible Investment (PRI) is the world's leading proponent of responsible investment, aiming to support the integration of ESG factors into the investment and ownership decisions of investors.

As a founding signatory of the Standards Board for Alternative Investments, of which Luke Ellis, CEO of Man Group, is a Trustee. The SBAI provides a powerful mechanism for creating a framework of transparency, integrity and good governance which improves how the alternative investment industry operates.

The UK Stewardship Code, published by the Financial Reporting Council, seeks to strengthen the quality of engagement between investors and investee companies by providing a framework of best practices for asset managers to be active and engage in corporate governance in the interests of their shareholders.

The Local Government Pension Scheme (LGPS) Code of Transparency, requires investment managers to provide transparent and consistent investment cost and fee information.

Joint signatories

The "Open Letter to Global Index Providers" sponsored by Swiss Sustainable Finance calls for global index providers to exclude controversial weapons from their mainstream indices in order to align their produces with what has become standard practice or expectation among institutional and individual investors.

The "New Plastics Economy Global Commitment" sponsored by the Ellen MacArthur Foundation builds on and reinforces the G7 Plastics Charter the EU strategy for plastics in a circular economy, the Commonwealth Blue Charter and the UN-established Community of Ocean Action.

The "Letter to IOSCO (International Organization of Securities Commissions) highlights investors' growing need for consistent and comparable disclosure of corporate ESG information."

Corporate responsibility continued

> "We believe our systematic investment approaches give us an advantage in understanding ESG data."
>
> **Jason Mitchell**
> Co-Head of Responsible Investment

Perspectives towards a sustainable future

In 2018, Man Group launched Perspectives Towards a Sustainable Future, a podcast about what we're doing today to build a more sustainable world tomorrow. We are excited to launch the 2019 programme schedule which will examine themes including: climate security, climate risk in a monetary dimension, impact investing, Australasian approaches to responsible investment and many other topics.

The podcast profiles organisations, leaders and academics who are examining all facets of sustainability, from climate change and migration to governance and global norms. The idea is to provide an open, educational resource to anyone — particularly students — interested in exploring approaches to sustainable, responsible investment. The audience includes global institutional investors, Non-Governmental Organisations, multilateral organisations[1], policymakers, academics and, of course, students.

PRI reporting framework

2018 marked the first year that Man Group reported and was scored at the Group level on its Principles for Responsible Investment (PRI) Transparency report. Man GLG and Man Numeric have been PRI signatories since 2012 and 2014, respectively.

Man Group is proud to have earned strong scores at the firm strategy and governance level, as well as demonstrating consistent improvement over the last several years within the Listed Equity, Active Ownership and Fixed Income modules.

That said, Man Group sees significant opportunities in future improvement within these categories, as we organise the firm within the Man Group RI Fund Framework as well as enhance our ESG integration and stewardship activities.

Responsible investment involvement

Man Group is proud to have played host to several events in 2018, including the PRI and CAIA-sponsored 'Quant at the Intersection of Responsible Investment Symposium', which examined the diversity of approaches and challenges that systematic strategies are providing in the RI/ESG space.

Most recently, Man Group hosted the PRI's London Climate Forum. Man Group CIO Sandy Rattray opened the forum with a keynote, where he said: "At Man Group, we – like many of our peers – recognise the fact that we are undergoing a necessary, structural expansion in our understanding of risk. Where the investment industry has traditionally defined risk by its political, economic and financial characteristics, we now know that climate change represents an altogether greater risk.

For our part, we are making significant efforts to embed more sophisticated competencies both across our investment strategies as well as for Man Group, a listed FTSE-250 company. We believe the incorporation of ESG factors reinforces our role as a fiduciary and as a responsible steward of our clients' assets."

1 A multilateral organisation is one which is organised by, and receives its funding from, multiple nations to work on issues. For example, the UN, EU and the WTO are multilateral organisations.

Our policies and practices

Anti-bribery and corruption

Man Group 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 Group takes its anti-bribery and corruption obligations very seriously and has 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; training employees and issuing red flags; and undertaking politically exposed persons (PEPs) screening.

Risk factors that are considered include country, business activity, adverse information, adverse media and sanctions. Man Group is committed to conducting its business with honesty and integrity and complying with all applicable anti-bribery and corruption laws. Man Group 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 for our full Modern Slavery Transparency Statement.

Protecting our environment

As a firm, Man Group seeks to take all practical measures to conserve and reduce energy consumption at our offices around the world. 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 monitor our impacts using Carbon2018, an energy services consultancy, which helps us minimise cost, mitigate risk and reduce carbon. We are also taking steps to protect the environment through the impact of our investments. We are members of Climate Action 100+, a five-year initiative led by investors to engage with the world's largest corporate greenhouse gas emitters to improve governance on climate change, curb emissions and strengthen climate-related financial disclosures; and the World Bank-supported Carbon Pricing Leadership Coalition, which aims to expand the use of carbon pricing.

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 63% (2017: 69%) of our overall emissions relate to purchased electricity and gas usage across our various geographical locations, with the remaining 37% (2017: 31%) 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 2018**	Year ended 31 December 2017
Scope 1	Natural gas	**223**	265
Scope 2	Electricity	**6,144**	7,105
Scope 3	Air travel	**3,678**	3,308
Total		**10,045**	10,678

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 2018 was 1,376 (2017: 1,313), as disclosed in Note 4 to the financial statements.

Emissions per employee

	Tonnes of CO_2e emissions	
Scope	**Year ended 31 December 2018**	Year ended 31 December 2017
Scope 1	**0.2**	0.2
Scope 2	**4.5**	5.4
Scope 3	**2.7**	2.5
Emissions per employee	**7.4**	8.1

Decreases in electricity emissions (Scope 2) are largely due to the centralisation of our London resources into one location in late 2017. Air travel emissions (Scope 3) have increased in 2018 due to an increase in air mileage.

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 32 employees (2017: 23 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.

Corporate responsibility continued

Contributing to our communities

We are conscious of the impact our organisation has on the community, and aim to give back and contribute positively to those around us. Our charitable efforts globally are focused on promoting literacy and education, underscored through the Man Charitable Trust established in 1978 and our sponsorship of the Man Booker Prizes and the charitable activities of the Booker Prize Foundation. Man Group is also involved in charitable initiatives and volunteering opportunities local to the firm's offices globally, through its ManKind Programme.

Charitable Trust

The focus of the Man Charitable Trust (Trust) continued to evolve in 2018. We focus on how we can support charities to make the most impact in the communities in which they, and we, operate, while also enhancing employee engagement.

In 2018, the Trust recognised the value its relationships can have on the charities it supports. The value of the Trustees' and employees' time, experience and involvement has increased the impact that the financial contributions have on the charities, as well as enhancing employee engagement with charitable activities. Through these relationships, pro bono experience has been provided and computers and software have also been donated to some of the supported charities.

The Trust is led by a group of seven Trustees, comprised of: Teun Johnston, Chairman of the Trust and CEO of Man GLG; Steven Desmyter, Global Co-Head of Sales and Marketing and Co-Head of Responsible Investment at Man Group; Antoine Forterre, co-CEO of Man AHL; Keith Haydon, Chairman of Man FRM and CIO of Man Solutions; Carol Ward, COO of Man GLG; Lydia Bosworth, Regulatory and Technical Manager at Man Group and Chris Pyper, Chief of Staff, Infrastructure.

Employee volunteering and engagement continued to increase in 2018, through 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. Participation again rose with 24% of full time employees utilising this benefit. Volunteering campaigns over summer, in the lead up to Christmas and in conjunction with City Giving Day in September were successful in promoting additional use of this allowance. As evident through the growth of our relationships with the charities we support, the positive social benefits that stem from employees' skills, experience and knowledge can make a real difference to our local communities. Volunteering also provides a highly valuable method of achieving positive learning and development benefits for our employees.

As Man Group's business and footprint continues to grow, there has been a significant effort to reflect this in the firm's charitable activities. This year, we launched the Man US Charitable Foundation under the stewardship of previous UK Trustee, Colin Bettison, Head of Operations, Man Group Americas. In 2019, we hope to include literacy and numeracy grants in New York and a similar ManKind programme in 2019 for all US based staff.

The Trust provided $377,602 in charitable donations and employee engagement programmes over 2018. In the UK, the projects supported by the Trust benefitted 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.

On 29 November 2018, Steven Desmyter hosted a group of students from the Refugee Support Network, where they enjoyed presentations from various areas of the business and enthusiastically engaged in an open Q&A session with many of the Sales team across a lunch.

Copyright Refugee Support Network, used with permission.

Man Charitable Trust

Registered charity no: 275386

Featured grant

The Man Charitable Trust awards grants to charities that work towards raising the levels of literacy and numeracy in the UK. Examples of the charities awarded a grant in 2018 included:

Discover Children's Story Centre
Discover Children's Story Centre is an interactive literature venue for children aged 0-11, families and teachers based in Stratford. The Centre promotes literacy through an extensive community education programme targeting vulnerable and disadvantaged children. This work focuses on developing literacy, oracy and listening through stories and children's literature.

The Trust's donation will support the Catching Words project, a literacy-focused intervention programme delivered in a range of schools. Catching Words focuses on reading, writing, speaking and listening to raise children's aspirations, confidence, attitude and attainment in literacy. The programme engages professional writers, storytellers and poets, who work with children over a nine week period.

Vision for literacy business pledge
Man Group is also a signatory of the Vision for Literacy Business Pledge 2017, having also signed the 2016 Pledge. 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.

Finally, we would like to thank all the employees at Man Group who supported our charitable programmes during the year and to those who donated via their Give As You Earn accounts. We would also like to congratulate all those who independently fundraised for charities of their choosing and whose donations were proudly matched by the Trust, up to the value of £1,000.

We look forward to building on the successes of 2018 throughout 2019, as the Trust's footprint continues to grow, both internally and in the many communities we are a part of. In the coming year, the Man Charitable Trust intends to continue to provide support to charities that are able to evidence their ability to improve literacy and numeracy education and focus on increasing employee engagement in volunteering and charitable activities.

Man Group's literary sponsorships

Man Group sponsors two major literary prizes – the Man Booker Prize and the Man Booker International Prize, both of which play an important role in recognising literary excellence and creativity.

The Man Booker Prize celebrated its 50th anniversary in 2018, making this year a particularly significant one. Over the past five decades, the prize has changed the face of literary fiction – it has brought some of the leading names in world literature to the attention of the reading public, uncovered extraordinary new voices, and championed novels that have explored the great challenges of our time.

At Man Group, we understand that to be well-informed investors, we need to be well-informed human beings. This is why, as devoted readers and as a global investment business, we have sponsored the Man Booker Prize. Following a careful review of our funding initiatives, we announced in January 2019 that Man Group will end its sponsorship of the Prizes and refocus these resources to develop our *'Paving the Way'* campaign, which focuses on enhancing diversity and inclusion in the industry, and on expanding the firm's global charitable initiatives, including those supported by the Man Charitable Trust.

The Man Booker Prize 2018

The Man Booker Prize for Fiction, awarded annually to a novel written in English and published in the UK or Ireland that year, is considered the leading literary award in the English-speaking world. Anna Burns won the 2018 prize for her third full-length novel, *Milkman*, becoming the first Northern Irish author and the 17th woman to claim the prize since it began in 1969. In the week following the winner announcement, sales of *Milkman* increased by 983%, the highest volume sales for any winner in the Nielsen BookScan era, selling nearly 19,000 copies. The novel has gone on to sell 350,000 copies in the UK since.

Set in an unnamed city during the Troubles in Northern Ireland, *Milkman* focuses on an unnamed protagonist as she navigates her way through rumour, social pressures and politics in a tight-knit community. Drawing on her own experiences, Burns portrays a world that allows individuals to abuse the power granted by a community to those who resist the state on their behalf. *Milkman* is a tale of gossip and hearsay, silence and deliberate deafness. It is a story of inaction with enormous consequences, through which Burns shows the dangerous and complex outcomes of what can happen to a woman coming of age in a city at war.

The Man Booker International Prize 2018

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.

The 2018 Man Booker International Prize was awarded to the novel *Flights*, written by Polish author Olga Tokarczuk and translated by Jennifer Croft. In the month following the winner announcement, sales of *Flights* increased by 692%. The novel Is now in its tenth printing and is, by far, publisher Fitzcarraldo Editions' bestselling title of all time.

Flights is a novel of linked fragments, from the 17th century to the present day, connected by themes of travel and human anatomy. Through these narratives, interspersed with short bursts of analysis and digressions on topics ranging from travel-sized cosmetics to the Maori, *Flights* guides the reader beyond the surface layer of modernity and towards the core of the very nature of humankind.

Chairman's Q&A

Ian Livingston talks about what Man Group's Board brings to the business

Lord Livingston of Parkhead
Chairman

Q What are the strengths of the Board?

Man Group's Board is a committed group of individuals who are proud to serve the business and willing to invest substantial time in preparing for meetings and engaging with management between Board meetings. Our directors have diverse backgrounds, outlook and skills. They all bring strong financial services and other sector experience, many having occupied leading positions in other corporate, Government and policy making roles. Our non-executive directors are independent and willing to probe and challenge business strategy and performance where necessary.

Q How does the Board keep abreast of the business context and Man Group's stakeholder needs?

The Board recognises the importance of being responsive to the rapidly changing investment management industry and wider macroeconomic, social, political and technology background. It invites leading industry experts to share and discuss their views on longer term industry trends and the implications for the development of Man Group's business. As part of this focus, the Board has discussed with Man Group's Responsible Investment (RI) team our development of an RI framework to meet our own and our clients' increasing appetite for RI.

Man Group's role in the communities in which it operates is very important. The Board receives updates on a range of issues from diversity through to the impact of grants made and employee volunteering activities organised by Man Group's UK Charitable Trust. In 2018 the Board approved a further increase in its commitment to Man Group's UK and US Charitable Trusts and supported greater employee involvement in charitable initiatives.

Q What did the Board do to engage with Man Group's people and culture?

The Board continued its discussions on the embedding of Man Group's business values and culture. In addition, an in depth presentation on the 2018 staff engagement survey gave us a clear picture of employee sentiment, highlighting many strengths and some areas for improvement. We have discussed with management the most effective ways in which the Board can develop its future engagement with staff in line with the 2018 Corporate Governance Code requirements and will be implementing our plans for this in 2019.

We continue to engage with Man Group's management, including those at Executive Committee level and below, both when they are presenting to the Board and in subsequent follow up discussions. We also meet with Executive Committee members collectively on an annual basis as part of the Board strategy review. All these interactions help our knowledge of Man Group's people and our focus on promoting the development of a talent pool of appropriate breadth and depth.

Q What has the Board done to promote diversity?

We recognise that Man Group operates in a sector in which diversity, particularly gender and ethnic diversity, is poor. We, therefore, welcome and encourage the considerable and broad ranging initiatives which management are taking to promote and support diversity of all kinds. These are detailed in the people and culture section of this Annual Report and Board members have supported and participated in a number of diversity events.

There is the same need for diversity at Board level. As noted in the Nomination Committee report, we continued to seek new non-executive Board members who could bring additional skills and capabilities to the Board. The appointment of Zoe Cruz, with her extensive career in global financial institutions, in depth knowledge of investment management and a strong US perspective, has brought us significant value. We have amended our diversity policy to include a target of at least 25% for women representation on the Board over the next 12 months and a target of 33% in the medium term.

Q Against the challenging market backdrop, how did the Board help strengthen the business in 2018?

The Board's key role is helping to create a sustainable business for the long-term. Optimising revenue growth, ensuring efficient product development and delivery aligned with client needs, and overseeing business risk are also crucial to long-term success. As part of this we explored a range of topics, from the further use of technology, including artificial intelligence, in both Man Group's quant and discretionary strategies, to the development of top client relationships and distribution channels. With the broad financial services experience of its non-executives, the Board provided challenge in discussion of market and operational risk. We maintained a focus on the identification of emerging risks which could disrupt the business.

Q What are the Board's priorities for 2019?

Our priority will be to continue to ensure the business is well positioned in the face of a particularly uncertain political environment. We will oversee the implementation of our proposed corporate restructure to provide more flexibility and aid growth. We will continue to support management to respond to the long-term challenges of the industry and keep the business aligned with the values of our shareholders, clients and other stakeholders. We will strengthen our oversight of Man Group's culture and people, testing consistency and alignment with business purpose across the firm, and drive forward the talent and diversity agenda.

Board of Directors

Committee memberships

- R Remuneration
- N Nomination
- AR Audit and Risk
- Committee Chair

Chairman

Lord Livingston of Parkhead

Date of appointment
January 2016

Chairman: May 2016

Committee memberships
N R

Background and career
Ian has been a serving member of the House of Lords since 2013 and 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. Ian is currently Chairman of Dixons Carphone plc and a non-executive director of Belmond Ltd.

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 steered the Board through significant change and streamlined certain Board Committee memberships and delegations. He has also brought a greater focus on strategic topics and different stakeholder groups into regular Board meetings.

Chief Executive Officer (CEO)

Luke Ellis

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 Group's investment businesses. Before this, he was Head and CIO of Man's Multi-Manager Business and Non-Executive Chairman of Man GLG Multi-Manager activities. Luke previously served as Managing Director of Man 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.

Chief Financial Officer (CFO)

Mark Jones

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 Group. 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 a clear focus on cost through the delivery of challenging cost saving initiatives, led the work on our proposed corporate restructure and successfully overseen a number of changes to the structure of the Group's Risk function.

President

Jonathan Sorrell

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 Group, 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 Group's business, including the M&A activity which 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.

Board of Directors continued

Senior Independent Director (SID)

Richard Berland

Date of appointment
January 2016

Chairman of the Remuneration Committee: May 2016
SID: May 2017

Committee memberships
R N AR

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. Richard is currently a member of the Supervisory Board of Deutsche Börse AG.

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 Chairman of the Remuneration Committee and SID has provided valuable context to Board decisions, specifically in relation to remuneration policy and practice.

Independent Non-Executive Directors

Dame Katharine (Kate) Barker

Date of appointment
April 2017

Committee memberships
R

Background and career
Kate is a business economist and was 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. Kate is currently Senior Independent Director of Taylor Wimpey plc where she is also Chair of its Remuneration Committee.

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 Group strategic thinking and economic insight coupled with a strong knowledge of financial markets and is a valuable advisor and contributor to the Board.

Zoe Cruz

Date of appointment
June 2018

Committee memberships
R

Background and career
Zoe held various senior roles during a 25 year career at Morgan Stanley, including serving as Co-President of the firm between 2005 and 2007 and Global Head of Fixed Income, Foreign Exchange and Commodities from 2001 until 2005. Following her time at Morgan Stanley, Zoe founded Voras Capital Management in 2009 and ran the firm as CEO until 2013. Zoe is currently a non-executive director of Ripple Labs Inc. She was also a non-executive director of Old Mutual plc from 2014 until its managed separation completed in 2018.

Areas of expertise and contribution
With her senior level experience within global financial institutions, broad understanding of the macro context for investment management and strong US perspective, Zoe is a valuable contributor to the development of Man Group's business strategy and risk management.

John Cryan

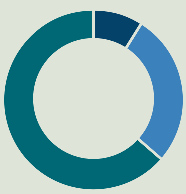
Date of appointment
January 2015

Committee memberships
AR

Background and career
John is Chairman of XCyber Group Limited, a cyber intelligence company based in the UK. John was CEO of Deutsche Bank AG from July 2016 to April 2018, having previously served as co-CEO from July 2015. Prior to his appointment as CEO, John served on the Supervisory Board of Deutsche Bank AG, chairing its Audit Committee and as a member of its Risk Committee. Prior to his time at Deutsche Bank AG, he held a number of senior roles at UBS AG over a career spanning more than 25 years with the banking group, during which he served as Group CFO as well as Chairman and CEO of UBS AG EMEA. After serving at UBS, John was President of Temasek, based in Singapore.

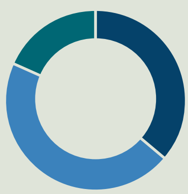
Areas of expertise and contribution
John has extensive knowledge of international financial markets gained from experience at leading global financial institutions and brings significant knowledge of the regulatory environment in which Man Group operates.

Board composition



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

Board tenure



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

Committee memberships

- R Remuneration
- N Nomination
- AR Audit and Risk
- Committee Chair

Independent Non-Executive Directors



Andrew Horton

Date of appointment
August 2013

Chairman of the Audit and Risk Committee: July 2018

Committee memberships
AR N

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 extensive exposure to operating at Board level. With his banking, financial markets, insurance and broad international experience, Andrew has made a significant contribution to Man Group's strategic development, risk management, financial reporting and increased international presence.

Matthew Lester

Date of appointment
May 2011

Committee memberships
AR

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. 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 where he is a member of the Board Audit and Board Risk Committees.

Areas of expertise and contribution
Matthew has extensive financial, risk 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.

Dev Sanyal

Date of appointment
December 2013

Committee memberships
AR

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 CEO, 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, he is able to contribute to the development and execution of Man Group's business strategy and global relationships.

Board experience

Percentage of Board members with experience of:

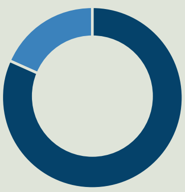
100%
Finance and investment

100%
International business

82%
Risk management

82%
Operations

Board gender diversity



Male	81.8%
Female	18.2%

Board age range

35–44	18.2%
45–54	18.2%
55+	63.6%

Corporate governance continued

Board structure

Roles and responsibilities

Chairman
- Leads the Board, sets its agenda and ensures it discharges its role effectively
- Supports and constructively challenges the CEO, promotes 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 skills, experience and diversity
- Ensures that the Board maintains effective engagement with shareholders and takes account of the interests of all stakeholders in its decision making

Chief Executive Officer
- Leads the development, for Board approval, of business strategy and management's delivery against it
- Runs the business with appropriate delegated authorities, risk management and internal controls
- Communicates and embeds a shared purpose and set of business values and builds management talent
- Develops an effective relationship with the Chairman and leverages the knowledge of non-executive Board members
- Maintains an effective dialogue with shareholders on the Company's strategy and performance

Chief Financial Officer
- Manages the allocation and maintenance of the Group's capital, funding and liquidity in accordance with regulatory requirements
- Has responsibility 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
- Has responsibility for the Group's risk management within the Board's risk appetite statements
- Maintains an effective dialogue with shareholders and stakeholders on the performance and financial structure of the Company

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 Group'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, talent and culture will support long-term growth

In discharging this role, the Board must also have regard to and engage with the interests of a wide range of stakeholders, including employees, customers, suppliers and broader communities, in order to build mutual trust and support the long-term sustainability of the business.

Role of the Board Committees
The Board delegates its formal governance responsibilities to three Board Committees comprised exclusively of non-executive directors. The main responsibilities of each Board Committee are detailed on the page opposite.

President
- Leads and oversees the Group's Sales and Marketing capability globally
- Leads and oversees two investment engines, Man Global Private Markets and Man FRM
- Has responsibility for and leads the development of the Group's corporate strategy, including merger and acquisition activity

Senior Independent Director
- Maintains a broad overview of the work of the Board and its Committees
- Provides a sounding board for and advice to the Chairman on any Board matters including development and succession
- Acts as a focal point for communications with the non-executive directors if required
- Leads the annual performance evaluation of the Chairman
- Leads the search for the appointment of a new Chairman
- Engages with shareholders as required

Non-Executive Directors
- Contribute and provide constructive challenge to the development of business strategy
- Contribute to the identification of principal business risks and the determination of risk appetite
- Monitor and challenge management performance in delivering business strategy and objectives
- Monitor and challenge the effectiveness of the internal control and risk management framework
- Monitor 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 any changes considered appropriate
- Determine executive director remuneration policy and pay

Board Committees

Audit and Risk Committee

- Reviews the integrity of the Company's financial reports and statements, and recommends their approval to the Board
- Reviews and reports to the Board on the effectiveness of Man Group's risk management and internal controls framework
- Recommends to the Board the appointment of the external auditor and reviews their effectiveness and independence
- Approves the Internal Audit plan and reviews the effectiveness of the Internal Audit function and management's response to their findings

See pages 58–63 for the Audit and Risk Committee report

Remuneration Committee

- Determines and recommends to the Board the principles and structure of the Directors' Remuneration policy
- Approves the total annual compensation for individual executive directors including salary, variable cash and deferred bonus, and LTIP awards
- Approves the quantum of the Company's annual variable compensation pool and deferral policies
- Approves the total annual compensation for Executive Committee members and Remuneration Code staff
- Reviews feedback from shareholders and oversees the Company's engagement on directors' remuneration and reporting

See pages 67–89 for the Remuneration Committee report

Nomination Committee

- Keeps the Board's size, structure, composition and diversity under review in response to business needs and opportunities
- Considers the skills, experience and knowledge required for a particular Board appointment
- Conducts the search and selection process for new directors taking advice from independent search consultants
- Recommends to the Board preferred candidates for Board appointment
- Reviews Board and senior executive development and succession planning to ensure continuity of resource

See pages 64–66 for the Nomination Committee report

Full Committee terms of reference, which are reviewed and approved by the Board on a regular basis, can be found on our website. Details of the work of the Committees during the year are given in the separate Committee reports.

Board operation and delegation

Matters reserved for the Board

To discharge its role, the Board has reserved for itself certain key areas of decision including business strategy, risk appetite, major acquisitions and disposals, capital structure and funding, financial reporting and dividend policy. A full list of the Board's reserved matters is available on our website.

Board activity during 2018

Details of the Board's main activities and areas of focus during the year are provided on pages 50–51. These align with the Board's role and reserved matters detailed above and demonstrate the part played by the Board in supporting and progressing the Company's strategic priorities. An account of the Board's engagement with key stakeholder groups and consideration of their interests is given on pages 52–53.

Board delegation to the CEO

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

Senior Management Executive Committee

Member	Areas of responsibility
Robyn Grew Chief Administrative Officer and General Counsel	Man Group's Infrastructure – Operations, Technology, Compliance, Legal, HR and Facilities
Mark Jones Chief Financial Officer and Executive Director	Capital, Financial reporting, Risk management and relationships with Shareholders, Regulators, Banks and Auditors. Full biography on page 45
Sandy Rattray Chief Investment Officer	Man AHL, Man Numeric, Man GLG and Man Solutions
Jonathan Sorrell President and Executive Director	Global Sales and Marketing, corporate strategy and M&A, Man Global Private Markets and Man FRM. Full biography on page 45

The Committee meets weekly to maintain its broad operational oversight of the business, discuss top level strategic and risk issues and develop proposals for Board review. These meetings are supplemented by regular informal interaction and discussion to share and test views.

CEO's operating authorities and procedures

In addition, to help manage and control the business on a day to day basis, the CEO has implemented a framework of delegated authorities and procedures which applies throughout the firm. This framework sets out authority levels and controls in respect of material business change, the development of Man Group's product range, non-budgeted expenditure, recruitment and compensation, legal agreements, financial guarantees and use of the Company's balance sheet.

Corporate governance continued

How the Board promotes the success of the business

Key activities

Developing and reviewing strategy

Annual strategy review
- Reviewed progress against prior year's areas of focus: Sales, Technology, GPM growth, Numeric, FRM and Man Solutions
- Reviewed management proposals for a change to Man Group's corporate structure
- Discussed with industry experts the further leveraging of technology, data and artificial intelligence in asset management
- Reviewed peer case studies, transferable learning and future market opportunities
- Reviewed industry approach to third party distribution and future development for Man Group

Outcomes
- Approved in principle, for further review, the corporate restructure described on page 5
- Agreed further development and sharing of innovative quant technologies across the firm

'Deep dive' reviews of investment managers
- Half yearly reviews of Man AHL strategies and operations
- Reviewed progress on Man GLG strategies and operations including a specific focus on ELS (Equity Long/Short)

Outcomes
- Discussed changing income attribution and areas of over/under exposure
- Supported management's exploration of new strategies and markets
- Supported continuing investment in machine learning and shared platform architecture
- Reviewed and challenged progress on talent development, management and retention

Brexit
- Reviewed and agreed contingency plans to allow Man Group to maintain its EU business after Brexit, subject to further review when the political outcomes were clearer

Reviewing risk appetite and risk management

- Reviewed risk governance and appetite framework including business risk tolerance
- Reviewed Man's principal risks and updates to its risk dashboard
- Conducted a full year review of the effectiveness of its risk management and internal controls
- Discussed with expert advisers the current cyber threat to asset management and the areas on which the Board should focus to oversee resiliency
- Reviewed and challenged the annual update of Man Group's Internal Capital Adequacy Assessment Process (ICAAP) document. This included oversight of the embedding of management processes for monitoring changes in risk profile which might impact Man Group's regulatory and economic capital requirements

Outcomes
- Agreed changes in the measure and quantification of business risk and endorsed the development of an enhanced forecasting model to explore downside scenarios
- After full discussion of dashboard changes, particularly in market and key person risk, approved the Board's principal risk and risk management disclosures in the Annual and Interim Report (see pages 31–33)
- Requested the creation of a cyber risk dashboard to evidence and monitor the management of cyber risk for regular report to the Audit and Risk Committee and Board
- Approved the 2017 ICAAP process and document which it considered to be thorough and robust

Monitoring and challenging business performance

- Discussed with the CEO at every meeting the likely impact of current macroeconomic and market trends on Man Group's investment strategies, potential investor appetite and the retention of client assets
- Regularly reviewed internal profit forecasts against market consensus estimates to identify and assess any variance
- Reviewed the assumptions underlying the 2019 Budget and 2019/21 Medium Term Plan (MTP) proposals

Outcomes
- Challenged management on future prospects for Man Group's strategies and the broader asset management industry. Requested a refreshed overview and discussion with an external industry expert in early 2019
- Discussed concentration risk and requested a further review of concentration points at the 2019 Board strategy review
- Challenged 2019 budget assumptions on performance and costs
- Requested further sensitivity analysis in respect of flows, diversification benefit and the impact of a negative Brexit
- Approved 2019 Budget and MTP subject to ongoing review in the course of the year in the light of changing market conditions

Overseeing culture and people engagement

- Discussed with the CEO the 2018 employee survey scores, the analysis of feedback and the management actions planned in response
- Discussed with management and sought external advice on emerging market practice in respect of mechanisms being selected for Board engagement with staff in response to new UK Corporate Governance Code requirements
- Discussed with the CEO and business unit heads progress on the embedding of business values in employee behaviours, the cultural impacts of staff changes and the positive outcomes of the re-engineering of business teams
- Received regular updates on management's wide ranging diversity initiatives to create an inclusive working environment across the business
- Sought further direct exposure to members of the Executive Committee and senior management through Board presentations and in subsequent follow up discussions

Outcomes
- Commended the overall positive outcome of the 2018 employee survey. Requested further data on the scores for individual business teams and regular updates on management actions taken in response
- Agreed with the CEO the need for further regular discussion of people and business culture
- Sponsored and participated in certain diversity events led by staff
- Agreed on the need for further review of management talent in Board meetings and non-executive director meetings (see Nomination Committee priorities for 2019 on page 65)

Key areas of strategic focus

Innovation and technology

Quant strategies
- Review of and support for the build out of a quant equity business offering new products with sizeable and scalable potential
- Discussion of investment in new markets to create additional capacity in existing quant strategies
- Expansion of Man AHL's machine learning to generate innovative value-adding ideas from new areas of research

Technology
- Board review of the re-engineering of Man Group's Technology resource to create separate Corporate and Alpha/Quant development teams
- Discussed Man Group's Corporate Technology strategy and the core programmes planned for 2018
- Discussed Man Group's Alpha/Quant Technology strategy which includes the firm wide sharing of platform infrastructure, the use of a common modelling language and the identification of opportunities for external partnering in the Fintech space

Strong client relationships

- Reviewed and discussed with the Sales team the analysis of Man Group's client universe, the focusing of resource on key target relationships, the strategy to increase the value of assets held by clients in more than one Man Group product and the actions in place to protect assets perceived to be most at risk
- Reviewed and discussed with Man Group's Consultant Relations team the opportunities and strategy for expanding investment consultant coverage of Man Group's products, achieving positive ratings and increasing consultant influenced assets

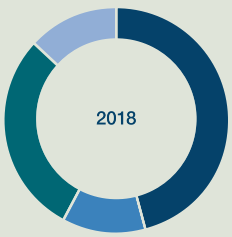
Responsible Investment (RI)
- Discussed with Man Group's RI team the increasing importance of RI to institutional and other investors, the development of Man Group's RI strategy and fund framework and the raising of its RI profile within the investment community

Returns to shareholders

Dividends
- Recommended and approved final and interim dividends in line with the Company's published dividend policy

Capital return
- Kept under review and tested throughout the year Man Group's forecast surplus capital and liquidity positions under various scenarios
- Regularly assessed the merits of the use of any projected surplus capital for further capital return to shareholders as opposed to its retention for potential value adding acquisitions
- Approved the launch of two share buybacks of $100 million each during the year

Proportion of Board time spent on key activities



Developing and reviewing strategy	46%
Reviewing risk appetite and risk management	12%
Monitoring and challenging business performance	29%
Overseeing culture, people and stakeholder relationships	13%

2018 Board meetings

Board member	Attendance
Ian Livingston, Chairman	8/8
Kate Barker	8/8
Richard Berliand	8/8
Zoe Cruz	5/6[1&2]
John Cryan	8/8
Luke Ellis	8/8
Andrew Horton	7/8[2]
Mark Jones	8/8
Matthew Lester	8/8
Dev Sanyal	8/8
Nina Shapiro	5/5[3]
Jonathan Sorrell	8/8

1 Zoe Cruz joined the Board on 1 June 2018.
2 Owing to conflicting business commitments, Zoe Cruz and Andrew Horton were each unable to attend one meeting which had to be convened at short notice. However, they received and reviewed the papers to be considered in advance and directed questions to the Chairman which were addressed in the meeting.
3 Nina Shapiro retired from the Board on 9 October 2018.

Corporate governance continued

Stakeholder engagement

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 Head of Investor Relations regularly attends Board meetings to report on changes in the share register and current areas of interest. Copies of investment research published on the Company are regularly circulated.

Richard Berliand, as Chairman of the Remuneration Committee, provides regular reports on shareholder views on Man Group'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 2018 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, client concentration, product innovation and margin trends
- Progress in the areas of Machine Learning and Artificial Intelligence
- Proposed corporate restructure
- Potential new acquisitions and capital management
- Brexit and its potential impact on the Group's operations

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 gives access to our Registrar's 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. A separate mailbox is available for any AGM queries (agm@man.com).

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 2019 AGM in May this year.

Technology driven asset management teach-in

On 23 April 2018 we held a Technology driven asset management teach-in for investors and sell-side analysts. The aim of the session was to get people to understand the way we think about technology in an asset management business and the way we use it at Man Group. There were a range of speakers from across the firm presenting throughout the morning, covering how the Group uses technology in alpha generation, trade execution, portfolio construction, interactions with clients, back-office processes and in risk management. The Chief Scientist at Man AHL also explained how we are using machine learning and artificial intelligence across the Group.

The session received very positive feedback from the attendees including the following comments: "From a technology standpoint, they are at the cutting edge in the industry – true pioneers" and "In terms of investor events, it was definitely top quartile."

Calendar of investor events

Q1 2018	– 2017 year end results released – 2017 Annual Report published – UK investor roadshow (London) – US investor roadshow – Morgan Stanley Annual European Financials conference (London)
Q2 2018	– Q1 2018 Trading Statement released – Technology driven asset management teach-in – Shareholder engagement on 2017 Directors' Remuneration report and AGM voting – Annual General Meeting – Goldman Sachs European Financial Services conference (Frankfurt)
Q3 2018	– 2018 interim results released – 2018 Interim Report published – UK investor roadshow (London) – US investor roadshow – Barclays Global Financial Services Conference (New York) – Bank of America Merrill Lynch Annual Banking and Insurance Conference (London)
Q4 2018	– Q3 2018 Trading Statement released – UBS European Conference (London) – J.P. Morgan 'Best of British' conference (London) – UK investor roadshow (Edinburgh)

Staff

- Discussed with management the nature of Man Group's culture and the embedding of its business values and their impacts
- Sought feedback from business unit heads on staff sentiment and the impacts of team and business change
- Explored in depth the outputs from the 2018 staff survey and discussed the consistency of staff attitude and culture across different parts of the Group
- Focused attention on ensuring staff awareness of the Company's whistleblowing procedures and their effectiveness
- Consistently introduced the diversity challenge into the discussion of business strategy, resourcing and talent development, and pay
- Received regular updates on progress on Man Group's diversity initiatives and participated in a number of employee led Drive network events
- Engaged directly with management, at Executive Committee level and below, within formal Board presentations and in follow up discussions

Read more on pages 34–37

Business partners/supply chain

- Regular interaction between Man Group's executive directors and key elements of its supply chain which largely comprise business and professional services organisations
- Reviewed Man Group's engagement with its broader supply chain as part of the Board's annual approval of Man Group's Modern Slavery Transparency Statement
- Considered, as part of the review of Man Group's proposed corporate restructure, any potential impacts on business partner relationships, including Man Group's lenders under its Revolving Credit Facility
- Discussed with management ways in which the Board might further develop its understanding of the interests of its service providers in line with 2018 Corporate Governance Code requirements

Clients

- Kept under review and sought expert external update on trends in investor appetite and long-term market direction
- Maintained a focus on investors' increasing interest in Responsible Investment (RI) and reviewed the development of Man Group's RI fund framework and industry profile
- Kept updated by the Sales team on the development and analysis of Man Group's client universe, the identification of top clients and target groups and progress on strategies to respond to their needs
- Requested and received regular deep dive reviews of individual top clients and the development of their relationships with Man Group

Read more on pages 13, 38–40

Communities

- Maintained a keen awareness of the broad communities of people within which Man Group operates and the needs of the pension funds and underlying individual beneficiaries which they serve
- Received updates on the activities of and impacts of grants made by Man Group's UK Charitable Trust which is focused on improving standards of literacy and numeracy in local communities and more broadly
- Approved a further increase in Man Group's ongoing commitment to the UK and US Trusts to support and encourage further employee volunteering and involvement in charitable initiatives

Read more on pages 42–43

Corporate governance continued

Board strength and effectiveness

Board profile

Man Group's Board is a highly skilled, committed and diverse group of individuals who are keen to further their knowledge of Man Group's business and its challenges and contribute to its success. The biographies set out on pages 45–47 evidence the broad ranging financial services and other experience which non-executive Board members bring to Man Group's business from leading positions in other organisations. The pie charts on pages 46–47 provide an analysis of the Board's diversity in terms of skills base, length of tenure, age group and gender.

Board meetings

The Board met formally eight times during the year, including for one full strategy day. Meetings are normally attended by the Chief Investment Officer and the Chief Administrative Officer. They provide further detail and management perspective on business matters but do not take part in any decision making. Non-executives seek every opportunity for direct engagement with management both within formal meetings and follow up discussions. They ensure that regular review of individual businesses, top client relationships, people and technology are built into the Board programme. Time is made available for private discussion by non-executive directors at the end of regular Board meetings. In addition, twice yearly non-executive sessions are scheduled to discuss, with input from the CEO, people issues, talent and executive succession.

Board meetings are conducted on the basis that all written materials submitted are thoroughly reviewed in advance so as to minimise presentation and maximise discussion time. Non-executives use their diverse experience to question and challenge proposals and suggest an alternative perspective or approach. Board debate and decision making are structured in such a way as to allow all views to be heard.

Board independence

Our non-executive directors are fully independent and do not have any external appointments or interests which could conflict with those of the Company. Board members are required to keep me updated on any changes in their external roles which might conflict with their responsibilities as directors of Man Group so that any potential conflicts can be assessed by the Board. An ongoing schedule of directors' external interests is maintained and formally reviewed by the Board at the end of each year.

Board induction

Our non-executive directors receive a comprehensive and tailored induction to the business and, to the extent required, the asset management industry as soon as they are appointed. The programme is structured around one to one briefings with the executive directors, Executive Committee members, the Heads of Group businesses and functions and the Company Secretary, covering their respective business objectives and challenges. An outline of the programme, which is regularly updated in response to business change and director feedback, is given below with further detail available on our website. We also arrange for new non-executives to meet their non-executive colleagues outside formal Board meetings to help build their understanding of the business and Board dynamics.

Zoe Cruz worked through the induction following her appointment to the Board in June 2018. To support her role as a Remuneration Committee member, Zoe also received briefings from Richard Berliand as Remuneration Committee Chairman, our Senior Reward Executive and our Remuneration Consultants, PwC, covering in particular the development of Man Group's Directors' Remuneration policy and practice in response to industry developments and investor sentiment.

Non-executive induction programme

Business review	– Strategic direction and priorities – Business strategy and market context – Risk appetite, principal risks, risk governance framework and ICAAP – Overview of Man AHL, Man GLG, Man FRM, Man Numeric and Man GPM – 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 – People and Talent priorities including diversity and inclusion, engagement, staff development and performance – HR structure and outsourcing arrangements
Regulatory and Board governance framework	– Board structure, processes and dynamics – Board interaction with the business – Listed company obligations, reporting and corporate governance framework – Directors' duties and responsibilities

Board education and training

A number of sessions, led by internal subject experts and external advisers, were organised within Board meetings to provide updates on upcoming regulatory and political change. The main topics addressed and discussed were:

2018 UK Corporate Governance Code
- Gap analysis of requirements against Man Group's current practice
- Review and discussion of proposed Board response
- Specific review of the alternative mechanisms available for further development of Board/employee engagement

Senior Managers and Certification Regime (SMCR)
- Impact of SMCR requirements and individuals identified as Senior Managers
- Gap analysis against Man Group's current processes and structures
- Timeline and ownership within the business
- Agreed timetable for further updates in 2019

Brexit
- Further update on the most significant impacts of Brexit on Man Group, including the need to maintain access to highly skilled EU talent
- In response to ongoing political uncertainty, review of plans to safeguard the continuation of Man Group's investment management services for European clients and its distribution services in Europe

Corporate restructure
- Regulatory process, requirements and timeline including Board approvals
- Directors' particular responsibilities for the restructure under the UKLA Listing and Prospectus rules
- Differences between Jersey and UK company law, including directors' duties

Non-executive director briefings
In addition to the above in house sessions, opportunities continued to be made available to non-executive directors to attend external seminars and workshops on topical business and regulatory issues offered by professional services firms.

Perspectives on Man Group from a new non-executive director

Zoe Cruz
Independent Non-Executive Director

Q What have been your impressions of Man Group's business and Board?

I've been impressed by the calibre, capability and breadth of knowledge of the Board. They are a very strong team of individuals and, as I've seen from this year's Board evaluation process, are willing to embrace and respond to developmental ideas which will help them grow stronger. I'm also impressed by the quality of people I've met in Man Group more generally; it has a high concentration of talent in a small population.

Q Looking ahead, what do you see as the major challenges for the business and Board?

First, without a doubt, it is to prepare for the likelihood of a period of industry upheaval and prolonged market volatility which I believe may lie ahead. No one knows exactly what it will look like and when it will come. Given this challenge, the Board needs to continue its stress testing of a whole range of downturn scenarios and find a business model which will work and flourish in such a period.

Second, the Board needs to remain focused on succession planning. It currently has very strong and capable leadership under Luke and his executive team, but we must continue to develop potential successors for him and the other top roles.

Q What do you think of Man Group's progress on diversity?

I am impressed by the energy and resource which management have been investing in developing a culture which recognises and promotes the value of diversity and inclusion in its people. Significant progress is being made by Man Group against the backdrop of an industry which has historically been very poor in this area.

As regards gender diversity, my previous experience was on a Board which had a much higher percentage of women than Man Group does, and I have noticed the difference. Board dynamics, behaviours and the expression of views change as the number of women on a Board increases. I welcome Man Group's firm focus on bringing further diversity, including gender diversity, into the Boardroom when new appointments are considered. It will help create a different perspective, promote the articulation of different views and broaden our decision making.

Corporate governance continued

2018 Board evaluation

Evaluation cycle

Following two internal evaluations in 2016 and 2017, a full external evaluation was carried out in 2018. Clare Chalmers (CC), who has no other connection with the Company, was selected to carry out this work and her findings and recommendations were reported to and discussed by the Board and its Committees in December. The key stages of the evaluation process undertaken are set out below.

2018 Board evaluation process

Phase 1 – Engagement

CC selected to undertake the work.

Phase 2 – Briefing

Chairman and Company Secretary briefed CC on the objectives of the review and suggested areas of focus.

Phase 3 – Board paper review

CC reviewed a set of Man Group's Board papers to provide insight into the quality of materials provided.

Phase 4 – Board meeting observation

CC attended the October Board meeting to observe Board dynamics and individual director contributions.

Phase 5 – Interviews

CC conducted 1:1 interviews with Board members and Senior Management Executive Committee attendees covering both standard topics and others aligned to individual roles and experience.

Phase 6 – Feedback meeting with Chairman

CC discussed overall findings with the Chairman and provided confidential feedback on individual Board members.

Phase 7 – Presentation to the Board

CC attended the December Board meeting to present and discuss her written report on the main findings and recommendations.

Phase 8 – Board review of findings

Board discussed the evaluation findings and agreed its priority areas for focus in 2019.

Summary evaluation findings

Board strengths:

– Calibre and depth of experience
– Commitment to explore and challenge business issues and
– High quality information provided to support the Board to discharge its role

Areas for development and focus:

– Enhancing Board dynamics
– Further oversight and discussion of Man Group's culture and people strategy
– Further focus on talent management and succession planning

Further detail on the evaluation findings, including an assessment of progress made on areas of focus in last year's evaluation and priorities for focus in 2019, is provided in the table on page 57.

Board Committee evaluations

The findings and recommended areas of focus arising from the evaluation of the Audit and Risk, Remuneration and Nomination Committees are discussed in the separate Committee reports.

Review of individual director contributions

I discussed with each of my Board colleagues individually the evaluation feedback on their personal contributions to the Board during the year. These conversations identified areas where they might bring additional benefit to the Board and explored opportunities for further development in the role.

Richard Berliand, as Senior Independent Director, shared with me feedback from my colleagues on the evaluation of my leadership and management of the Board.

Board evaluation assessment

Areas of focus in 2018	Progress made	Agreed 2019 actions
Quality of Board papers and presentations	Clear, succinct, high quality papers helped the Board fulfil its role. Strategy papers proposing the corporate restructure were particularly effective, outlining options and risks and including follow up Q&A sections on issues previously raised.	Consider prioritisation of papers on the Agenda and provide further clarity on which are for information and which for decision. Management to adopt a clear structure for all papers, setting out upfront their purpose and the action required from the Board, and ensure that detailed information is provided in an easy to understand manner.
Board dynamics – non-executive/ executive engagement	High degree of commitment on the Board and mutual respect between non-executive and executive teams. Non-executives are keen to engage deeply in the business and executives follow up on issues raised by non-executives. Robust exchange of views in Board discussions with all opinions invited and expressed.	Further development of the understanding of mutual roles, needs and contributions between executives and non-executives to strengthen their interaction and collective effectiveness. Further clarity to be given in requests made by non-executive directors for additional business information.
Consideration of people and culture	Substantial time devoted to Board discussion of the output from the 2018 employee survey. Feedback on staff behaviours and sentiment given by the CEO and Senior Management Executive Committee (SMExCo). Better knowledge of management below SMExCo through Board presentations and the annual strategy meeting.	Broader focus and more extensive Board conversations, led by the CEO, on Man's people and culture. Improve people oversight through the development of Board/employee engagement mechanisms in line with Governance Code requirements. Drive forward the talent and succession agenda (see Nomination Committee evaluation priorities on page 65).
Consideration of stakeholder interests	Excellent progress made on Board insight into the development of top Client relationships and fund investor needs and sentiment. Board knowledge of key elements of Man Group's supply chain improved. Good reporting on the work done by Man Group in local communities and the activities of Man Group's charitable trusts.	Continue annual Board review of Man Group's client universe and its regular deep dive reviews of individual Clients. Introduce regular reporting on Man Group's engagement with and feedback from key service providers. Continue Board reporting on the activities and focus of Man Group's role in the community and its employee volunteering.
Board education and training	Presentations by internal and external advisers scheduled within Board meetings on regulatory and other business issues (see page 55). Regular updates from business unit heads on business progress and challenges (see page 50). External expert overview of industry trends and long-term prospects.	Continue to keep the Board updated on industry trends, regulatory impacts and business developments through engagement with external advisers and internal experts.
Quality of company secretarial and administrative support	Continued to be highly rated and effective. Very responsible and conscientious team.	Maintain proactive and reliable level of service.

Lord Livingston of Parkhead
Chairman

Statement of compliance

The Company has, throughout the year ended 31 December 2018, applied the principles of and complied with the provisions of the 2016 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 90–91.

Audit and Risk Committee report

I am pleased to present my first report as Chair of the Audit and Risk Committee (the "ARCom"). I would like to thank my predecessor, Matthew Lester, for his excellent chairmanship and for his support in ensuring a smooth transition.

Andrew Horton
Chairman, 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, the effectiveness of the channels available to Man Group's workforce to raise concerns and the Group's cyber security arrangements. In addition, the ARCom has continued to focus on the oversight and governance arrangements that exist in Man Group's overseas offices and has developed its understanding of the risk and control environment within Man GPM.

Andrew Horton
Chairman, Audit and Risk Committee

Membership and meeting attendance

There have been a number of changes to the composition of the ARCom during the year. In addition to my appointment as Chair, we welcomed Richard Berland and John Cryan to the ARCom in May and August respectively. The members of the ARCom and their meeting attendance during 2018 are set out below.

The ARCom as a whole has competence relevant to the sector in which the Group operates and I am considered to have recent and relevant financial experience for the purposes of the 2016 UK Corporate Governance Code (the "Code"). Further details of the ARCom members' experience and areas of expertise are provided on pages 46–47.

Committee member	Meeting attendance
Andrew Horton	6/6
Richard Berland[1]	5/5
John Cryan[2]	2/2
Matthew Lester[3]	6/6
Dev Sanyal	6/6

1 Appointed 1 May 2018
2 Appointed 1 August 2018
3 Stepped down as Chair on 30 June 2018 but continued to remain as an ARCom member

The Board Chairman, CEO and CFO 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 meet with the Head of Internal Audit and representatives from Deloitte in the absence of management.

How the ARCom operates

Forward agenda
- Covers key events in the financial reporting cycle, specific risk matters and standing items set out in the terms of reference
- Reviewed and updated in response to changing business risks and priorities

Agenda setting meeting
- Held in advance of each ARCom meeting to identify key issues impacting the business that may require consideration by the ARCom
- Attended by ARCom Chair, CFO, CAO, Head of Internal Audit and representatives from Deloitte

Committee meetings
- At each meeting, the ARCom considers:
  - Standing governance items
  - Dashboards which highlight and monitor changes in the key risks impacting the business, compliance matters, the financial controls framework, internal controls and cyber security arrangements
  - Reports and presentations on key financial reporting, risk, compliance and audit matters from management

Board reporting
- Board updated on the key areas of discussion with recommendations made as appropriate

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 on page 59, 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.

Roles and responsibilities of the ARCom

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 29 for further details) – Ensure that a robust assessment of the emerging and 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 Man Group's workforce to raise concerns in confidence and – if they wish – anonymously, with any such concerns and resulting follow-up actions being reported to the Board – 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 monitor 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

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 60.

Viability and going concern

The ARCom reviewed the viability statement (as set out on page 28) and the processes supporting the viability assessment. After significant discussion and having considered the Group's prospects, emerging and 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 (as set out on page 105) 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.

Audit and Risk Committee report continued

Key accounting judgements and estimates

Matter considered	Action	Outcome
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 GPM) 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 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 2018.
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. The $31 milllion credit to the income statement represented a decrease in the fair value of the contingent consideration creditors, largely driven by a decrease in the Numeric and Aalto earn-outs.	After a full discussion, the ARCom confirmed that it was comfortable with the proposed accounting treatment and that the decrease in the fair value of the contingent consideration was appropriate. A fair value adjustment of $31 milllion 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. Three funds have been classified as 'held for sale' and ten investments have been consolidated on a line by line basis with a grossing up impact on the balance sheet of $100 million.
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 methodology underpinning the valuation of the DTA and 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 the existing methodology continued to be appropriate. A movement in the DTA of $20 million has been recognised in the income statement.
Alternative performance measures (APMs) Man Group 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 142–145 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 142–145.

Risk management, internal controls and compliance

Oversight of risk and control environment – key business areas

The ARCom continued to develop its understanding of the governance arrangements that exist within Man Group's overseas offices, as well as the risk and control environment within the Man GPM business. Senior representatives from the Chinese, Guernsey and Man GPM 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.

China
The ARCom was provided with an overview of the structure and activities of the Chinese business. Particular focus was given to the interaction with Man Group's global functions, the control environment and future plans for the Chinese business.

Guernsey
The ARCom considered the principal activities undertaken by the Guernsey office, reporting lines and the level of oversight exercised at a Group level. Discussion focused on the key risks facing the Guernsey business and the controls in place to mitigate these risks with particular focus on the role of the Board of Man Group Japan Limited (based in Guernsey) in overseeing the activities of its Japanese branch.

Man GPM
The ARCom considered the extent to which Man GPM's infrastructure and governance framework had been embedded, the development of client relationships and resourcing plans to support the growth of the business. Consideration was also given to the challenges and risks associated with operating from multiple locations and the mitigation of such risks through the centralisation of controls.

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 discussed and challenged a number of proposed amendments to the Framework including a change to one of the quantitative risk metrics and the associated loss tolerance. The ARCom endorsed the revised Framework and recommended it to the Board for approval. The ARCom also received an update on the Group's pension arrangements.

Compliance
During the year, the Head of Compliance & Regulatory presented the 2018 Compliance overview. Particular focus was given to developments in financial regulation and their impact on the business and the industry in general. Consideration was also given to resourcing levels across the Compliance function, global themes around regulatory risk, current priorities of key regulators and Compliance initiatives. The ARCom also dedicated significant time to understanding the extent to which the steps taken by the management team to improve awareness of the channels available to Man Group's workforce to raise concerns had been embedded across the organisation and received supporting data on any matters reported via these channels.

In addition, the Money Laundering and Reporting Officer (MLRO) presented his 2017 annual report in the first half of 2018 and confirmed that Man had established and maintained an effective AML/CTF programme with proportionate systems and controls.

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 2018. The ARCom discussed upcoming personnel changes in the Finance team, resourcing levels and priorities for 2019. During the year, the Committee also received several updates on the implementation of Man Group's new general ledger, consolidation and HR system which came into effect on 1 January 2019. At the December meeting, the Head of Tax was invited to present on the Group's tax position and highlight the key projects undertaken by the tax team during 2018.

Technology
The Group's Chief Operating Officer updated the ARCom on the key technology initiatives for 2018, together with the associated risks and mitigants. Regular updates were provided throughout the year on the implementation of a new order management platform and management's plans to upgrade existing technology systems. The Director of Trading was also invited to update the ARCom on the implementation of Man Group's Central Trading programme. Particular focus was given to the benefits that this initiative would bring and the resulting impact on resourcing levels and technology.

Cyber security
Cyber security continued to be a key area of focus for the ARCom during the year. One of the key developments in 2018 was the introduction of enhanced metrics around the Group's cyber security arrangements via a new dashboard which had been developed in response to feedback from the Board and ARCom. The ARCom also reviewed the output of a cyber security maturity assessment undertaken by an external security consultancy and considered Man Group's positioning compared with peers.

Audit and Risk Committee report continued

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 29.

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 2018 and February 2019 meetings. Whilst Man Group 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.

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 2019 Internal Audit Plan (the 'Plan') which included details of the planned audit reviews for 2019 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 2018 Plan. The ARCom was particularly keen to understand the root causes of overdue items and the actions taken by management to close these. 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.

Towards the end of the year, 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. In response to feedback from the ARCom, the Head of Internal Audit also set out specific observations on the US control environment with discussion focusing on how this would evolve in light of the proposed changes to the corporate structure.

Effectiveness of Internal Audit function

During the year, an external review of the Internal Audit function was undertaken in order to assess its effectiveness. The review, which involved interviews with key stakeholders and auditee surveys, focused on the Internal Audit function's conformance with various internal auditing standards and its positioning compared to peers in the asset management industry. The output of the review indicated that, overall, the Internal Audit function continued to be effective and provided an independent perspective on Man Group's control environment. The ARCom noted the findings and discussed the suggested areas for improvements which had been identified in the review, together with the Head of Internal Audit's response to these points.

External Audit

2018 external audit plan

At the October meeting, Deloitte's 2018 external audit plan was presented by David Barnes, who has been the lead engagement partner since 2017. 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 $1.4 million. Further details can be found on the Company's website.

The table below shows the remuneration paid to Deloitte in 2017 and 2018.

	2018 $'000	2017 $'000
Fees payable to the external auditor for the audit of the Company and the consolidated financial statements	**458**	456
Other services:		
The audit of the Company's subsidiaries pursuant to legislation	**1,608**	1,572
Audit-related assurance services	**345**	341
All other services	**59**	54
Total auditor's remuneration	**2,470**	2,423

Following a formal assessment of the external auditor's independence and objectivity at its meeting in February 2019, the ARCom concluded that Deloitte continued to be independent and objective.

Effectiveness of external audit process

At the May 2018 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 with the audit team demonstrating appropriate challenge and a strong understanding of Man Group's business. 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 use of specialists and the communication and escalation of potential issues, had been addressed in the 2017 audit. A number of areas, primarily around transitional issues that may arise following the key audit partner's rotation off the Man Group audit and the coordination of the work undertaken by the internal and external auditors, were identified as requiring further consideration and Deloitte's plans to address these issues were set out in the 2018 audit plan. After extensive discussion, the ARCom concluded that the external audit process in respect of the 2017 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 out to tender again in 2023 at the latest. The ARCom will continue to assess the external audit process annually and, on the basis that it remains effective and the audit fee represents good value to shareholders, it is expected that the next tender process will be undertaken at that time 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 2019 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 2017 evaluation as requiring further consideration and development during 2018, together with progress that has been achieved in 2018.

2018 progress on 2017 actions

2017 evaluation	2018 progress
Introduction of thematic risk-focused reviews	Thematic risk-focused reviews around technology and regulatory risks and resourcing levels across the organisation were undertaken during 2018 with further reviews scheduled for 2019.
Streamline the agenda for certain meetings	Given that ARCom meetings were held in three consecutive months in May, June and July, a decision was taken to dispense with the June meeting and increase the length of time allocated to remaining meetings to ensure there was sufficient time to discuss all agenda items.
Organise further targeted training	Board training sessions took place during 2018 covering the 2018 UK Corporate Governance Code, the Senior Managers and Certification Regime, Brexit and the proposed corporate restructure. Further details are set out on page 55.

During the year, the effectiveness of the ARCom was reviewed by an external consultant as part of the wider Board evaluation process. Interviews were conducted with all ARCom members and regular attendees, the results of which confirmed that ARCom was operating effectively. Responses indicated that there had been a smooth transition between the ARCom Chairs and that the ARCom meetings continued to be well structured with agendas covering a wider range of topics. Areas identified for focus in 2019 included continuing to review meeting attendance, increasing the length of meetings to allow time for freeform risk discussions and reviewing the structure and format of certain ARCom papers.

Andrew Horton
Chairman, Audit and Risk Committee

Nomination Committee report

The Committee's main focus during 2018 was to seek further non-executive experience and expertise to bring additional skills and diversity to the Board.

Lord Livingston of Parkhead
Chairman

Committee activity during the year

With a streamlined membership, the Committee was able to expedite discussions and decision making on non-executive director search and selection without always requiring formal meetings. It maintained its focus on executive management development and succession through twice yearly discussions, with input from the CEO, in which all the non-executive directors participated. One formal scheduled meeting, attended by all members, reviewed the current composition of the Board, confirmed its continuing push to increase Board diversity, reviewed the feedback from the 2018 evaluation and agreed its priorities for 2019. More detail on all the Committee's activities during the year are provided below.

Role of the Committee

- Keep the Board's composition in terms of size, structure, skills, experience and diversity under regular review in response to changing business needs and opportunities
- Identify the particular skills, knowledge and experience 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
- Review plans for executive director and senior management development and succession

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.

Membership and meeting attendance

Committee member	Formal meetings
Ian Livingston (Chairman)	1/1
Richard Berliand	1/1
Andrew Horton	1/1

Matthew Lester was a member of the Committee from 1 January until 30 June 2018 but no formal meetings were held during this period.

Luke Ellis attends meetings by invitation of the Chairman.

Appointment of Zoe Cruz

The Committee's main focus in the early part of the year was progressing the search for a new non-executive director which had been started in 2017. This was successfully completed in June 2018 with the appointment of Zoe Cruz to the Board. Zoe brings extensive expertise in asset allocation, a broad understanding of the global macro context for investment management and a strong US perspective to the development of Man Group's strategy and risk management. The governance, search and selection processes followed for her appointment are outlined below.

Q2 2017	Committee agrees the skills to be targeted: direct fund management expertise, regulatory experience and international, particularly US, exposure.
Q3 2017	Independent search firm, The Zygos Partnership (now Russell Reynolds which has no other connection with the Company), briefed on candidate specification, including an emphasis on diversity of background and outlook.
Q4 2017	Committee reviews search firm's long list of names and agrees a short list. Possible candidates interviewed by the Chairman and CEO.
Q1 2018	Zoe Cruz considered to be the preferred candidate and is interviewed by other Committee members. Following formal Committee recommendation, the Board considers and approves Zoe's appointment subject to regulatory approval.
Q2 2018	Zoe's appointment confirmed with effect from 1 June. Zoe commences her induction programme and participates in the Board's full day strategy review in early June.

Review of Board composition

At the end of the year the Committee formally reviewed the current composition of the Board, including skills and experience, length of tenure and gender, and discussed the tension between its relatively large size and the value of additional appointments to bring new skills and diversity. Further deep exposure to asset management or related businesses, technology or international experience were identified as some of the priorities for strengthening the Board's existing skill set.

Review of diversity

Board diversity

The Committee reviewed progress on the implementation of the Board's diversity policy and the specific gender diversity of its membership. It was noted that the two most recently appointed non-executive directors had been female. The Committee agreed that, in line with the 2018 Hampton-Alexander review recommendations and its drive to improve diversity, it should recommend to the Board the amendment of its diversity policy to include a target of at least 25% for women representation on the Board over the next 12 months and a target of 33% in the medium term. The updated policy incorporating this target, which has been approved by the Board, is set out on page 66.

Diversity and Inclusion (D&I) in the business

The Committee reviewed and welcomed the considerable progress made by the management team in promoting and celebrating diversity within the business and creating a consciously inclusive working environment. A full account of the activities and achievements of Man Group's D&I global networks and the firm's engagement with external organisations on shared objectives is given in People and Culture on pages 36–37. This also provides detail on the progress of gender balance within Man as a whole and the Company's support for the Women in Finance Charter.

Renewal of existing NED appointments

The Committee reviewed the profile of Board tenure of Man Group's non-executive directors in the light of its future needs. As part of this it considered the renewal of my appointment as Chairman and of Richard Berliand and Andrew Horton whose current three year terms were due to expire in the first half of 2019*. It agreed, taking account of the current cycle of Board development and succession and the feedback on our contributions in the 2018 Board evaluation, to recommend the renewal of each appointment for approval by the Board for a further three years.

*None of the Committee members took any part in the consideration of the renewal of their own appointment.

Committee evaluation and priorities for 2019

The Committee reviewed progress on the actions agreed by the Committee for 2018 and the feedback on the 2018 Committee evaluation as summarised below.

2018 action:	Bring further direct fund management, regulatory experience and US exposure to the Board.
Progress achieved	Zoe Cruz appointed mid year bringing her experience of a 25 year career at Morgan Stanley.
2018 action	Increase Board diversity.
Progress achieved	Zoe's appointment has increased the cultural and gender diversity of the Board.
2018 action	Create more opportunity to discuss senior management talent and executive succession.
Progress achieved	Twice yearly private discussions held outside formal meetings with all non-executive Board members and the CEO.

The following areas were agreed as priority areas of focus for the Committee in 2019:

Additional non-executive skills	Conduct a search for a non-executive director with deep exposure to asset management or related businesses, technology or international experience.
Diversity	Focus on diversity, including gender diversity, as part of the above search by seeking totally or largely diverse shortlists.
Board engagement	Enable full Board engagement in the discussion of possible non-executive appointments.
Succession planning	Strengthen focus on succession planning for the top executive roles supported by more formal review of the available talent pool.

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 Group'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 aware of the recommendations for the adoption of voluntary targets for building gender and ethnic diversity into FTSE company boards and senior management and is conscious of the long standing gender diversity challenge within the financial services sector. It has, therefore, adopted a target of at least 25% for women representation on the Board over the next 12 months and a target of 33% in the medium term. 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 diversity of gender, social and ethnic backgrounds and cognitive and personal strengths. 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 Group'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 Group's relationships with partners who can help source talent from more diverse backgrounds and under-represented groups and Man Group'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. This enables us 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 Group'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 Group'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.

Directors' Remuneration Report

Richard Berland
Chairman of the Remuneration Committee

Directors’ Remuneration Report continued

1. Chairman’s annual statement

Dear Shareholder,

On behalf of the Board, I am pleased to present the Directors’ Remuneration Report (DRR) for the year to 31 December 2018.

For ease of reference this report contains the following sections:

1.1 Introduction

I would like to begin by expressing my gratitude for the way in which shareholders engaged with me and freely shared their views during the extensive consultations last year on our new Remuneration Policy. I am pleased to report that the resolution which proposed it, together with those proposing the 2017 DRR and the new Man Group plc share plans, all received shareholder support in excess of 95% at the AGM in May 2018.

In implementing the new Remuneration Policy, the Committee spent considerable time setting the relevant targets for the new variable pay structure that was introduced by it. The sections below and the Annual Report on remuneration provide more detail on how we have ensured that stretching and motivating targets were established for the short-term annual bonus for 2018 and for the new Man Group plc Long-Term Incentive Plan (LTIP), under which the first award will be made in March 2019.

We have also been able to complete one of our key priorities for this year which was to review the compensation models below Board level. This is something which had previously been deferred to enable the Committee to concentrate on the development of the new Remuneration Policy. I believe this has been a timely and valuable process, especially in light of the new UK Corporate Governance Code requirement to explain how executive remuneration aligns with wider company pay policy. More details of our review can be found below.

1.2 The link between pay and performance at Man Group

As set out in detail in the 2017 DRR, the Committee used the renewal of the Remuneration Policy to re-visit and refresh the variable pay metrics and was mindful of ensuring that overall, across the variable pay programmes, management is appropriately incentivised to focus on those measures that they can influence to drive performance and deliver shareholder value.

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

The link between strategic priorities and incentive metrics

Strategic priority	Performance measure	Bonus weighting	LTIP weighting	Aggregate weighting[1]
Innovative investment strategies	Relative Investment Performance	–	25%	15%
Strong client relationships	Net Inflows	30%		18%
	Cumulative Net Inflows		10%	
Efficient and effective operations	Core Management Fee PBT $m	20%	–	17%
	Core Total PBT, $m	20%	–	
Returns to shareholders	Relative TSR	–	25%	38%
	3-year cumulative core management fee EPS	–	20%	
	3-year cumulative Core total EPS	–	20%	
	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.

1.3 Establishing stretching performance targets

In establishing the targets for the short-term annual bonus for 2018, the Committee wanted to build on 2017’s exceptional performance and ensure management is incentivised to deliver each year in the context of our long-term strategic goals. Consequently the targets were set by reference to internal and external forecasts, including consensus estimates available at the time, and long-run historical performance of both Man Group and our peers.

Annual bonus targets

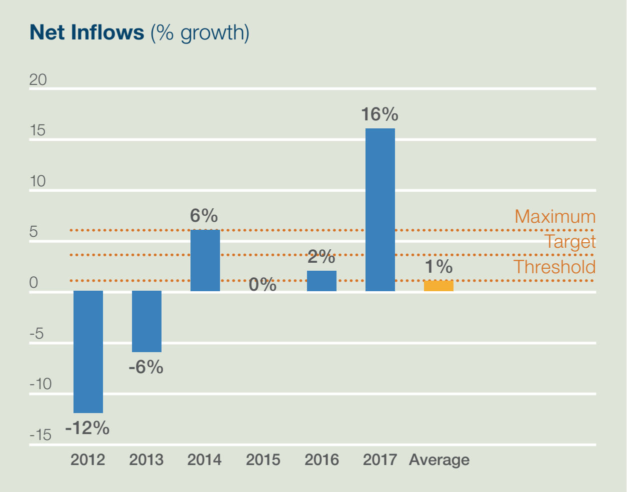
Net Inflows

The targets for Net Inflows were set in the context of an industry sector which has been experiencing low or negative growth whilst Man Group has enjoyed strong growth, ahead of most of our peers. The table below sets out recent annual movement in Net Inflows across a range of market segments, broken down by investment strategy, in the asset management industry.

Industry performance[1]	2012	2013	2014	2015	2016	2017	Related Man business
HFR Global Hedge Fund Industry Report – Quant	5.2%	0.1%	-4.6%	0.2%	3.9%	5.2%	AHL
HFR Global Hedge Fund Industry Report – ex Quant	1.3%	3.1%	3.7%	1.7%	-3.1%	-0.3%	GLG (Alternatives)
HFR Global Hedge Fund Industry Report – FoHF	-3.5%	-3.2%	-0.6%	-2.2%	-4.0%	-3.4%	FRM
eVestment – Active Quant	5.5%	3.1%	7.6%	3.3%	2.0%	-3.4%	Numeric
eVestment – Active ex Quant	0.2%	2.5%	2.6%	-6.3%	-6.1%	-6.8%	GLG (Long only)
Preqin Real Estate	N/A	19.3%	5.5%	6.8%	-3.0%	3.8%	GPM

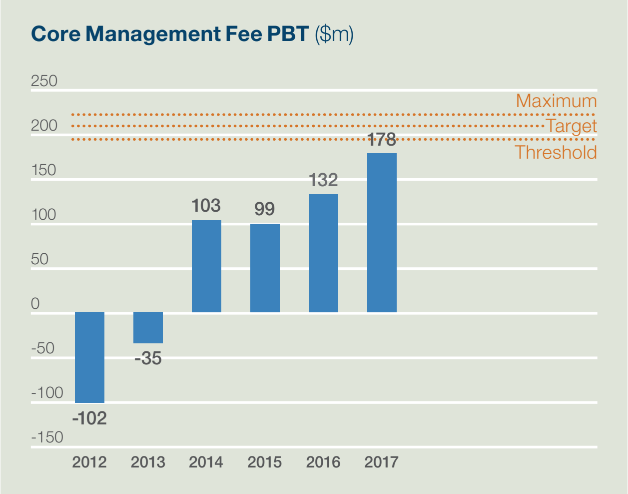
1 Definitions of the terms used in this table are in the Glossary.

The targets for Net Inflows have been maintained at the same percentage growth levels as for the 2017 bonus but, given the considerably higher starting point for funds under management (FUM) as a result of 2017's performance, those percentage growths translate into much higher absolute targets than was demanded in 2017. Further, threshold growth has been set at the average achieved over the last six years (see table below) and at both target and maximum the growth required considerably exceeds that historical performance and represents significant outperformance versus the industry.



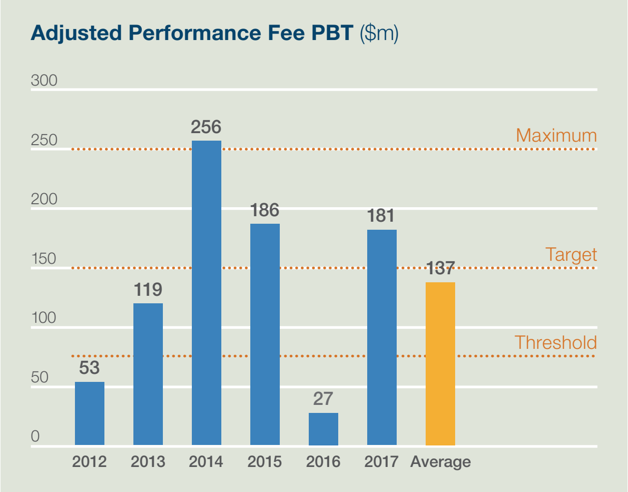
Core Management Fee PBT

The targets for Core Management Fee PBT again build on the strong performance delivered in 2017; the threshold $million target implies growth of 11% on prior year, rising to growth of 25% at maximum.



Core Total PBT

The third financial metric for the bonus, Core Total PBT starts with Core Management Fee PBT and then adds Adjusted Performance Fee PBT which is the more volatile component of Man Group's profits but represents a valuable earnings stream for our shareholders over time. The historical trend data for Adjusted Performance Fee PBT again provides a useful reference for the Committee so as to account appropriately for the recent relative high and low point of 2017 and 2016 respectively.



Over the last six years, average annual Adjusted Performance Fee PBT has been $137 million, with a range from $27 million (in 2016) to $256 million (in 2014). The Committee considered it appropriate to set a threshold target well above the bottom of the range and, at $75 million, it is considerably higher than actual performance in two out of the last six years. At a target of $150 million, an achievement slightly ahead of the six year average was considered stretching whilst the maximum, of $250 million, is in line with the performance fees achieved in only one out of the last six years. The Core Total PBT targets are the sum of the Core Management Fee PBT and Adjusted Performance Fee PBT components.

Directors' Remuneration Report continued
1. Chairman's annual statement continued

Strategic and Personal Objectives

The strategic and personal objectives of each executive director, which account for 30% of their overall bonus outcome, were selected to ensure delivery of sustained performance over time. These non-financial deliverables ensure that there is ongoing focus and discretionary effort applied to activities, the benefit of which will only fully be seen over the medium to longer-term, including objectives around innovation, reputation, clients and people. The objectives link to our strategic priorities and pay-out against them requires clear performance impact.

Man Group plc Long-Term Incentive Plan (LTIP)

The first award under the new LTIP will be made in March 2019 using the metrics and targets shown in the table below to measure performance over a three-year period (from 1 January 2019 to 31 December 2021); any vested shares will be required to be held for a further two-year period.

Metric ranges for LTIP (from 1 January 2019 – 31 December 2021)

Metric	Weighting	Threshold	Target	Maximum
Relative Investment Performance	25%	0%	3%	6%
		Based on the aggregate of the asset-weighted relative investment performance across Man Group's funds for each year over the three year performance period.		
Relative TSR vs FTSE250	25%	Median	Mid-point between Median and Upper Quartile	Upper Quartile
		TSR versus the FTSE 250 based on the three-month average share price (taking account of share price movement and re-invested dividends over the performance period).		
3-year Cumulative Core Management Fee EPS, cents	20%	33¢	36¢	39¢
		Measures Cumulative Core Management Fee EPS performance over the three year period.		
3-year Cumulative Core Total EPS, cents	20%	45¢	59¢	78¢
		This measure includes the impact of performance fee delivery over the long-term and is based on cumulative EPS performance over the three year period.		
Cumulative Net Inflows	10%	3%	10.5%	18%
		The percentage growth target represents cumulative Net Inflows over the three year performance period as a percentage of starting FUM.		
Total	**100%**			

Relative Investment Performance

Relative investment performance measures outperformance against our peers. The establishment of the threshold at 0% means that Man Group must outperform peers for management to receive any pay-out on this measure. At Man Group's current scale, the maximum of 6% cumulative outperformance would imply in excess of $2 billion of annual outperformance, relative to peers, which the Committee considered a demanding target and one which would represent an excellent outcome for clients and shareholders.

Relative TSR vs FTSE 250[1]

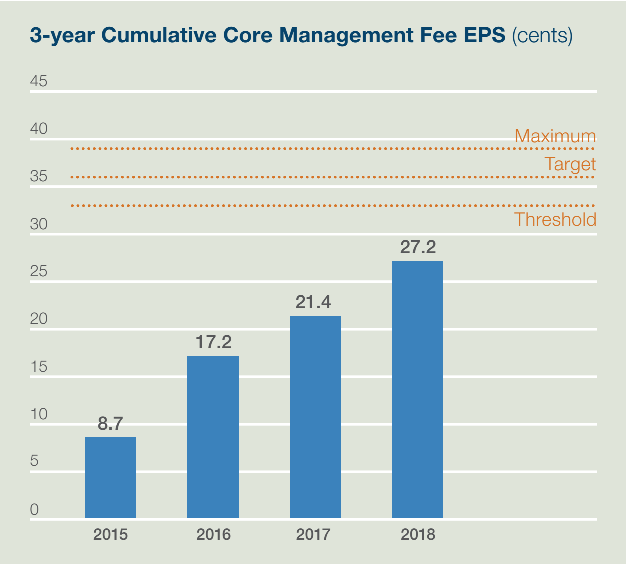
In line with widespread practice for a Total Shareholder Return (TSR) measure, threshold performance requires TSR growth in line with the median constituent of the FTSE 250 Index. The maximum outcome will only be achieved if Man Group's TSR is in the upper quartile over the three-year performance period which would again represent good alignment with the experience of Man Group's shareholders. There will be straight-line vesting between threshold and target and target and maximum performance.

3-year Cumulative Core Management Fee EPS[2]

The targets for Cumulative Core Management Fee EPS have been established in absolute terms at 33 cents at threshold, 36 cents at target and 39 cents at maximum. The Committee reviewed the Cumulative Core Management Fee EPS delivered in the three-year periods ending in each of the last four years and noted that the maximum ever achieved, for the three years ending 31 December 2018, was 27.2 cents. In this context, the targets represent cumulative growth rates of 21%, 32% and 43% at threshold, target and maximum respectively over the three years which it considered to be stretching. The Committee decided the targets should be expressed in absolute terms, rather than as a growth percentage as initially proposed. This creates good alignment with shareholders through the clear link to our dividend policy which is to pay out 100% of adjusted net management fee EPS in each financial year. It also aligns with the basis for 3-year Cumulative Core Total EPS, as discussed in more detail opposite.

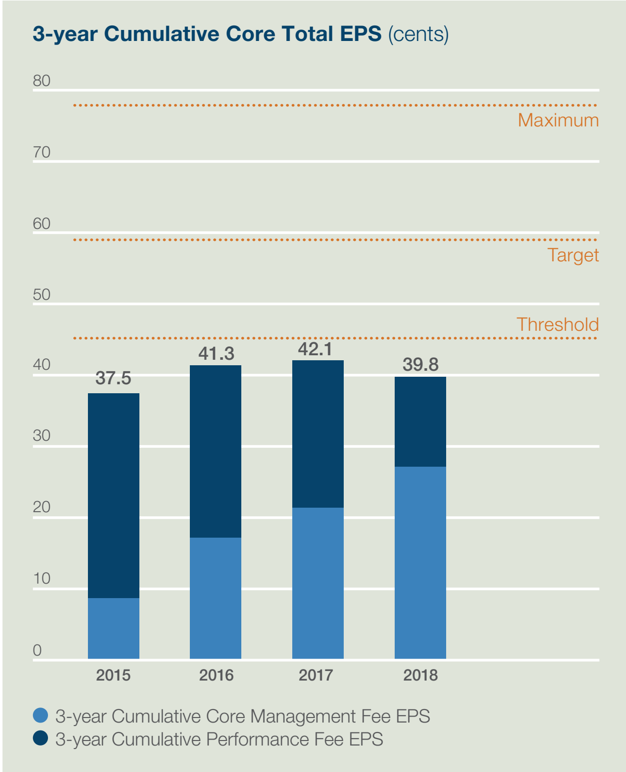
1 Relative TSR vs FTSE 250: represents the total return to Man Group's shareholders relative to the FTSE 250 Index, using data sourced from an independent provider. Total Shareholder Return takes into account the movement in the Man Group plc share price and any dividends paid to shareholders.

2 3-year Cumulative Core Management Fee EPS: calculated as the post-tax core management fee profits over the three year measurement period divided by the weighted average diluted number of shares for the three year measurement period. Core management fee profits are derived from Core Management Fee PBT, as defined above, less a deduction for associated taxes.



The targets have been set based on reported figures, which include the impact of foreign exchange (FX) movements. Given that such movements are outside the control of management, the Committee will carefully review the outcome of this measure and adjust it, if appropriate, in the event that management has benefitted from a windfall gain or been disadvantaged by exceptional material FX headwinds. Man Group plc has a track record of careful capital management and a policy of returning excess capital to shareholders via dividends and/or share buybacks. In establishing the three-year target for Cumulative Core Management Fee EPS, the Committee has assumed a continuation of that policy so, in the event of a material change from it, will again review the targets and consider whether any adjustment is required to continue to ensure an appropriate outcome.

3-year Cumulative Core Total EPS[3]
Core Total EPS starts with Core Management Fee EPS, as described above, and additionally includes performance fee profits; the target, therefore, represents the Core Management Fee EPS target, from above, together with performance fee EPS. The performance fee EPS targets have been set in line with the three year equivalent of the 2018 bonus range for threshold, target and maximum.



The threshold for Cumulative Core Total EPS of 45 cents is equivalent to 33 cents of Cumulative Core Management Fee EPS and delivery of $225 million of Adjusted Performance Fee PBT over three years. The target for Cumulative Core Total EPS at 59 cents is equivalent to 36 cents of Cumulative Core Management Fee EPS and delivery of $450 million of Adjusted Performance Fee PBT over three years. The maximum for Cumulative Core Total EPS of 78 cents represents 39 cents of Cumulative Core Management Fee EPS and $750 million of Adjusted Performance Fee PBT over the three years.

As indicated above, performance fee income is the more volatile part of Man Group's profits but represents a valuable earnings stream over time. At the levels of performance required to achieve the threshold, this will represent sustained delivery of performance fees over a three year period and be a positive outcome for our shareholders which will be significantly improved if target or maximum performance is delivered.

Net Inflows
The cumulative LTIP targets for Net Inflows are aligned with the annual bonus targets and require 3% cumulative growth over the period at threshold against an industry background of minimal inflows. Annual growth of 3.5% is required at target which represents 10.5% cumulative growth whilst at maximum of 18% cumulative growth, the business would have to outperform significantly both expectations for the industry and our own average historical performance.

Finally, I wanted to reiterate that, for all metrics under the new LTIP, the level of vesting at threshold will be 0% meaning that directors will only start to receive any awards under it when threshold performance has been exceeded, representing a much tougher hurdle than in the majority of listed businesses.

3 3-year Cumulative Core Total EPS: calculated as the sum of 3 year cumulative core management fee EPS plus 3 year cumulative performance fee EPS. It equates to Core Total PBT, as defined above, less a deduction for associated taxes, divided by the weighted average diluted number of shares for the three year measurement period.

Directors' Remuneration Report continued
1. Chairman's annual statement continued

1.4 Review of performance in 2018

2018 has been a year of continued growth, building on the exceptional performance delivered in 2017. Industry-leading growth in Net Inflows was again delivered and good relative investment performance. However, the investment environment, for most asset classes, was challenging and this has negatively impacted on absolute performance.

1.5 Remuneration outcomes for 2018

Net Inflows

Another year of excellent growth in Net Inflows is reflected in a maximum pay-out under this component of the short-term bonus representing 30% of total bonus opportunity; the Committee considered this result appropriately reflected the performance with Man Group significantly out-performing the overall asset management industry.

Net Inflows bonus targets for 2018

	Actual 2017	2018 Bonus			Actual 2018
Metric		Threshold	Target	Maximum	
Net Inflows, % growth	**15.8%**	**1.0%**	**3.5%**	**6.0%**	**9.9%**
Net Inflows, $bn growth	$12.8bn	+$1.1bn	+$3.8bn	+$6.5bn	+$10.8bn

Core Management Fee PBT

The Committee considered the growth delivered of 14% represented good performance in a much more challenging year for markets and resulted in a pay-out of 7.3% out of a maximum of 20% for this metric.

Core Management Fee PBT bonus targets for 2018

	Actual 2017	2018 Bonus			Actual 2018
Metric		Threshold	Target	Maximum	
Core mgt fee PBT, $m	**$178m**	**$197m**	**$210m**	**$223m**	**$203m**
Core mgt fee PBT, growth %	35%	11%	18%	25%	14%

Core Total PBT

Despite investment performance that out-performed our peers, the bonus threshold for Core Total PBT was not achieved reflecting the more difficult environment for absolute performance in 2018. This resulted in no pay-out under this element of the bonus.

Core Total PBT bonus targets for 2018

	Actual 2017	2018 Bonus			Actual 2018
Metric		Threshold	Target	Maximum	
Core Mgt Fee PBT, $m	$178m	$197m	$210m	$223m	$203m
Performance Fee PBT, $m	$181m	$75m	$150m	$250m	$34m
Core Total PBT, $m	**$359m**	**$272m**	**$360m**	**$473m**	**$237m**
Core Total PBT, growth %	126%	-24%	0%	32%	-34%

In the context of a difficult year for asset managers, the Committee was pleased with the performance during 2018. The Company outperformed the market in both Net Inflows and investment performance whilst investing in future growth. Whilst management delivered many of the key objectives under their control in declining markets and this might argue for an upward adjustment to the formulaic outcome, the Committee felt this had to be balanced against the outcome for shareholders and so did not operate any upward discretion to the bonus outcome of 37.3% out of 70% on the financial metrics.

All three executive directors performed well on their personal and strategic objectives and received a range of awards from 21% to 23.5% (out of a maximum of 30%) on this element of the bonus. Details of the individual pay-outs under the bonus and the achievements on the qualitative objectives are shown in table R2 (pages 78–79).

I also wanted to share with you our plans for the salaries of the executive directors in 2019. As indicated last year, as Mark Jones was brought in on a salary more than 20% below his predecessor, it was our intention to keep this under review and, if appropriate and always subject to continued strong performance, increase it progressively. Following the small increase applied with effect from 1 January 2018, Mark Jones has been awarded a further increase of 2.1%, with effect from 1 January 2019, to take his salary to $612,500. This is in recognition of his increased experience in the role and another excellent year. We intend to keep Mark's salary under review; subject to his continued strong performance, we may consider a similarly modest increase next year. No other salary increases will be applied to the executive directors for 2019.

Finally, I would also like to take the opportunity to highlight here the impact on the reported "Single Figure" (see table R1, page 78) of introducing the new forward-looking LTIP. As required by the DRR regulations, the LTIP will be included in the single figure table only on vesting in three years' time. This partly accounts for the reduction in remuneration for all the executive directors versus last year, as well as the lower pay-out on the bonus this year. A table has been included in the following "Remuneration at a glance" section (page 76) to illustrate this impact in more detail.

1.6 The link between the pay of executive directors and the workforce

The key principles that underpin our approach to remuneration, which apply throughout the Company are:

– remuneration is structured to support corporate strategy and sound risk management;
– employees' interests are aligned with shareholders and the bonus pool is drawn from profit;
– incentives are designed to encourage behaviour focused on longer-term strategic and sustainable performance; and
– our total remuneration is competitive in the talent markets from which we hire.

During 2018, the Committee, supported by management, undertook a detailed review of the compensation approaches used across the firm to ensure adherence to these principles and that they were appropriately contributing to the culture. The Committee noted that the approach to variable compensation depended on the type of skill set required and market dynamics over time which resulted in both formulaic and discretionary approaches being used, as well as a combination of the two. In common with most asset management businesses, bonuses below the Board are uncapped but, in most cases, there is a significant level of deferral, usually into a combination of both shares and funds, which increases in line with compensation levels. There is also wide-ranging oversight of the proposed bonuses and careful consideration of risk factors. A Compliance, Risk and HR review is undertaken and the results, including any recommendations for downward compensation adjustments, are made directly to the Committee. The plan rules include appropriate malus provisions. The Committee felt the compensation structures in use played an important role in driving business performance without encouraging or rewarding inappropriate risk-taking and were an important element of supporting the desired culture.

We also think it is important to understand the relationship between the pay of the CEO and that of the wider workforce so have published a pay ratio in each of the last two year's remuneration reports. Now that the Government has legislated on this matter, we have again published the ratio, on the basis of the forthcoming requirement, which comes into effect for financial reporting periods starting from 1 January 2019. Whilst we recognise that the ratio number in isolation does not provide much insight, we believe that trend data over time, as well as an understanding of how Man Group's ratio compares to that in similar businesses, can provide useful context for executive remuneration decision-making.

1.7 Shareholder engagement in 2018

Following the extensive consultation that took place with shareholders in 2017 and early 2018, ahead of the submission of the new policy for approval, we have continued our engagement programme. This has included meetings with some of the leading proxy voting agencies in Autumn 2018. The discussions provided detail, also included in this statement, on our approach to setting and measuring stretching performance conditions in the variable incentive plans, in response to feedback raised during our consultation last year.

The Committee continues to monitor closely developments in corporate governance and shareholder guidelines and has already taken the following action:

– lowered the pension provision available to executive directors to 14%, in line with the maximum available to employees;
– introduced a two year post-employment shareholding requirement and a shareholding policy that allows the inclusion of unvested shares no longer subject to a performance condition on a net of tax basis; and
– from this year, updated our illustrative "pay for performance" scenario charts to include the impact of a 50% increase in the share price (page 75).

1.8 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.

We look forward to welcoming you at our AGM and receiving your support for our 2018 DRR at that meeting.

Richard Berliand
Chairman of the Remuneration Committee

Directors' Remuneration Report continued

2. Remuneration at a glance

2.1 Directors' Remuneration Policy summary table

Key elements | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024

Fixed pay

Remuneration Policy		Implementation in 2018/19
Salary	– 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 Salaries effective from 01/01/19: – CEO \$1.1m – President \$750k – CFO \$612.5k
Pension allowance	– Policy Maximum 14% salary[1] – Actual 14% salary	
Benefits	– Includes family private medical insurance, life assurance and permanent health insurance	

Cash bonus

Deferred bonus

Remuneration Policy		Implementation in 2018/19
Maximum opportunity	– 250% of salary	**KPIs** Net Inflows 30% Core Management Fee PBT (\$m) 20% Core Total PBT (\$m) 20% Strategic and personal objectives 30%
Operation	– 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 requirements are met – Malus and clawback apply	

Long-term incentive

Remuneration Policy		Implementation in 2018/19
Maximum opportunity	– 350% of salary	**KPIs** Relative investment performance 25% Relative TSR vs FTSE 250 25% Three year cumulative core management fee EPS 20% 3-year cumulative core total EPS 20% Cumulative Net Inflows 10%
Operation	– 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 – Malus and clawback apply – First grant will be made in March 2019	

Share ownership requirements

Remuneration Policy		Implementation in 2018/19
Share ownership requirements	– CEO 300% of salary – Other executive directors 200% of salary – 100% of the requirement to be retained for one year after leaving and at least 50% for the second year	

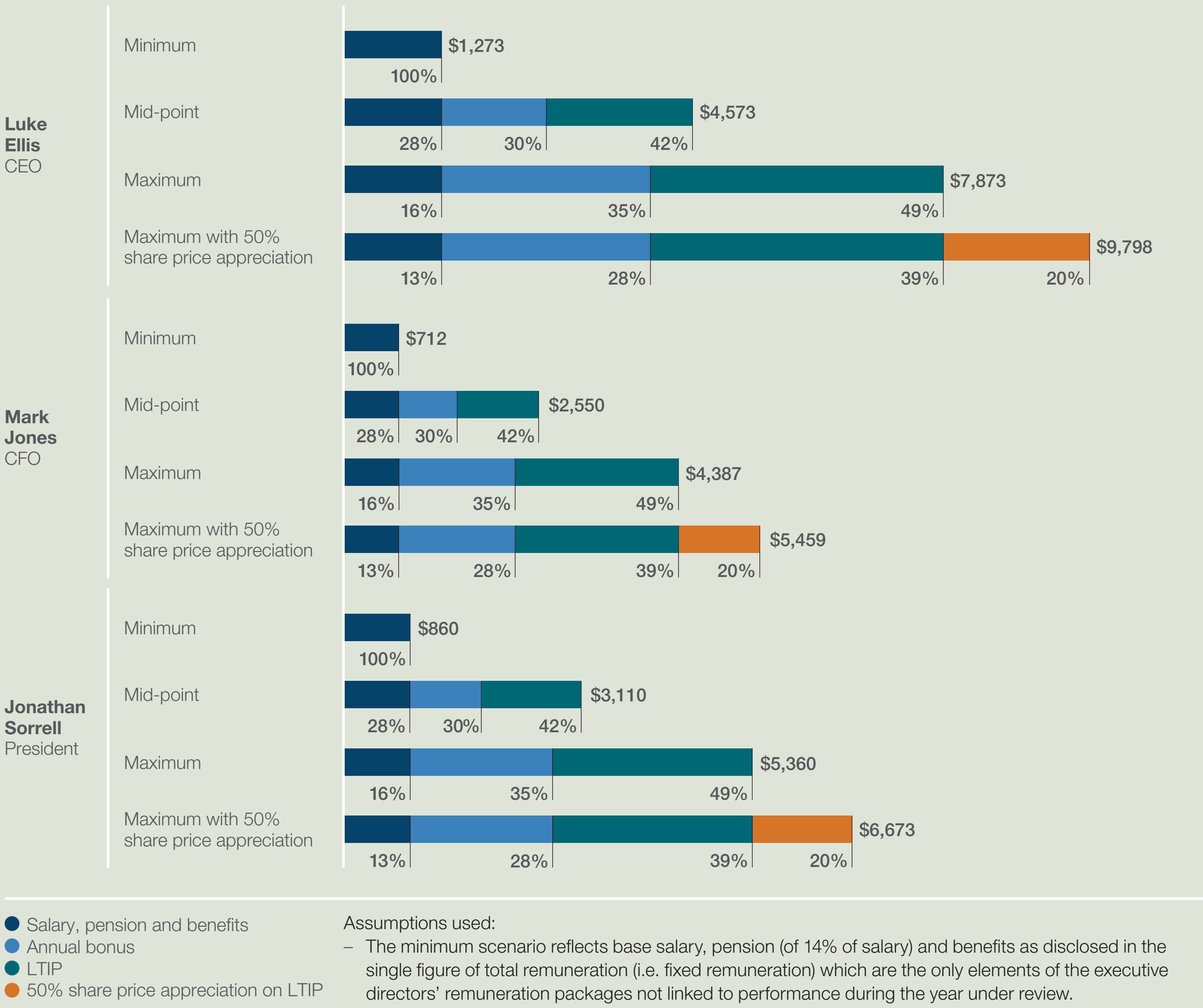
The full detail of the executive directors' remuneration policy, approved in May 2018, can be viewed at www.man.com

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

2.2 Illustrative pay for performance scenarios

The chart below provides an illustration of the potential reward opportunities for executive directors in respect of the Directors' Remuneration Policy showing the potential split between the different elements of remuneration under four different performance scenarios: 'minimum', 'mid-point', 'maximum' and 'maximum with 50% share price appreciation'.

Illustrative pay for performance scenarios ($'000)



Assumptions used:

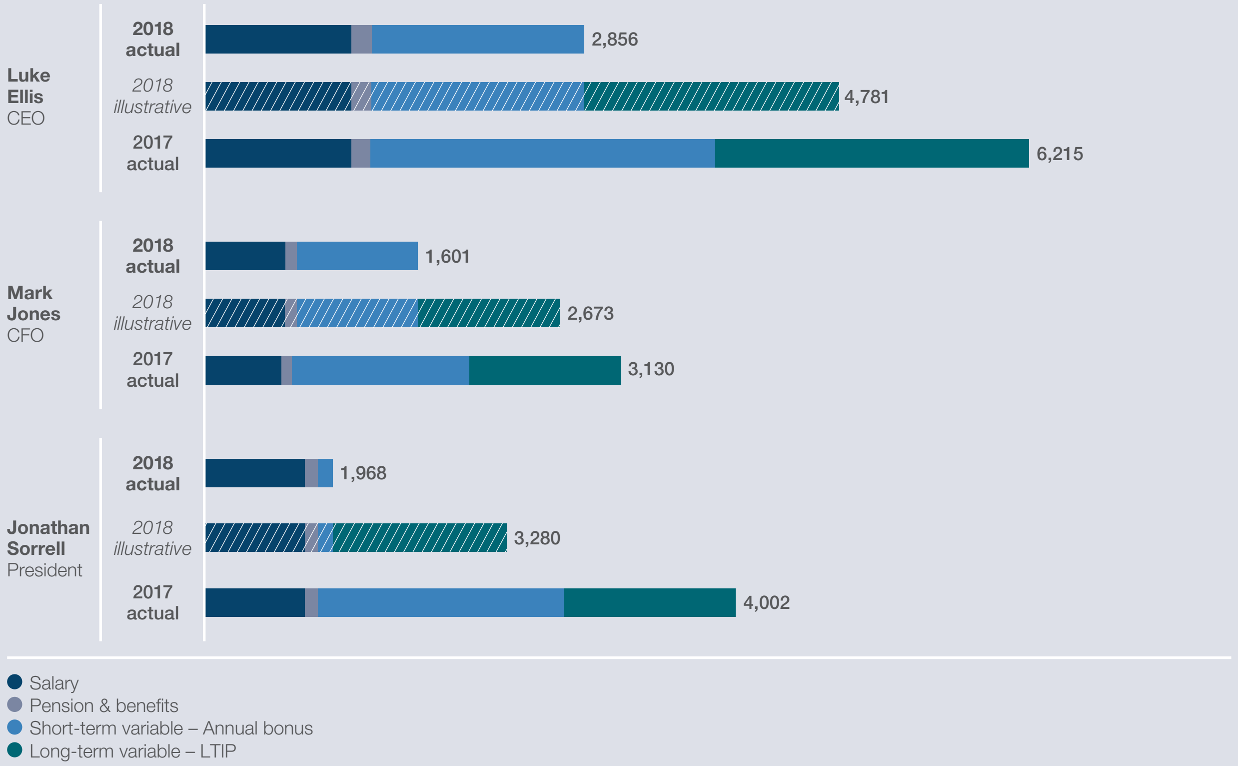
- The minimum scenario reflects base salary, pension (of 14% of salary) and benefits as disclosed in the single figure of total remuneration (i.e. fixed remuneration) which are the only elements of the executive directors' remuneration packages not linked to performance during the year under review.
- 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 both the annual bonus and LTIP.
- The minimum, mid-point and maximum 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.
- The 'maximum with 50% share price appreciation' shows the impact of a 50% increase in the value of the LTIP share award from grant; it does not reflect any potential dividends received over the vesting period.
- Annual bonus includes both the cash bonus and the amount of the bonus deferred.

Directors' Remuneration Report continued
2. Remuneration at a glance continued

2.3 Single figure disclosure

The impact of switching from the former Deferred Executive Incentive Plan (DEIP) to the new forward-looking LTIP, as a result of the implementation of the new remuneration policy, is that no long-term variable pay will be included in the Single Figure table until the first award vests at the end of 2021. In the interests of clarity and transparency, the "2018 illustrative" data in the table below shows the potential single figure outcome. In order to attribute an illustrative value to the LTIP an expected value of 50% of the face value of the award to be made in March 2019 has been used. Achievement at this level would require target performance to be delivered on all five measures. The actual outcome for the March 2019 award will be reported in the DRR for 2021.

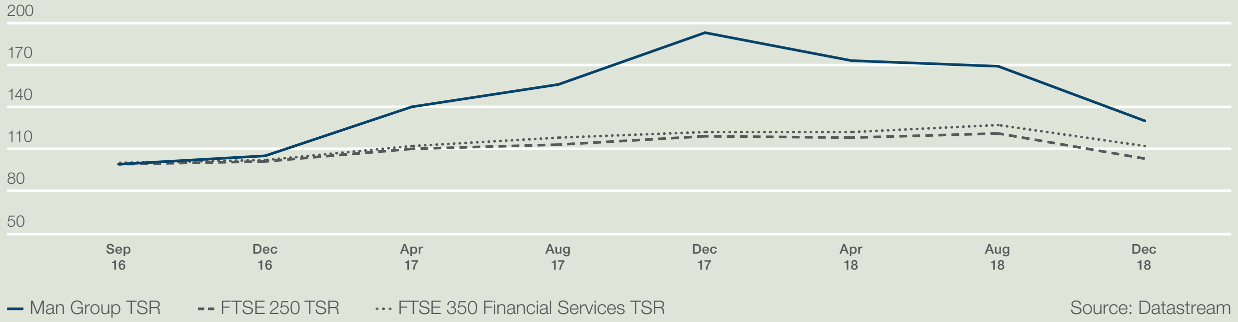
Single figure disclosure illustration ($'000)



2.4 Executive director pay in the context of Man Group's shareholders

The chart below shows the total shareholder return (TSR) generated since Luke Ellis's appointment as CEO, compared to both the FTSE 250 (the peer group for the new Relative TSR measure in the LTIP) and the FTSE 350 Financial services Index.

Total shareholder return (TSR) (Sep 16 – Dec 18)

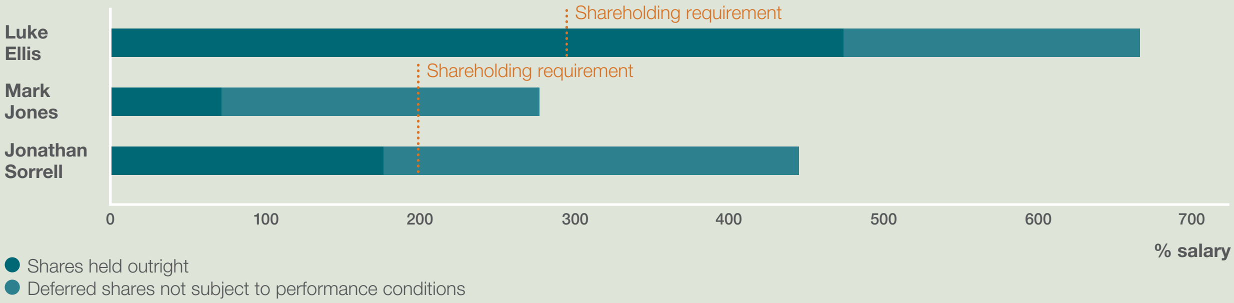


Source: Datastream

2.5 Executive directors' shareholdings

The CEO has a shareholding requirement of 300% of salary and other executive directors must hold shares equivalent to 200% of salary; these higher requirements were introduced with the new Remuneration Policy, approved in May 2018. The chart below shows the shareholdings of each executive director compared to their requirement. Under the Remuneration Policy shares owned outright and those deferred shares that no longer have performance conditions attached count towards the shareholding requirement. In the future, LTIP shares retained during the two-year post-vesting holding period will also count towards the requirements. Shares which are not owned outright are shown net of tax (i.e excluding that proportion of those shares expected to be sold on vesting to settle the associated tax liability). All three executive directors meet their new requirement, representing good alignment with shareholder interests.

Executive directors' shareholdings (%)



2.6 Executive director pay in the context of Man Group'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.

It also includes the CEO ratio, adopted early and calculated according to Option A of the new legislation which comes into effect for reporting periods commencing from 1 January 2019. The ratio of CEO pay to all three employee data points is significantly lower than in 2017, partially explained by the switch to the new LTIP plan which means no long-term variable pay is included in the single figure for the CEO, as laid out elsewhere in the report. Bonuses are below last year for both the CEO and the wider UK employee population.

	Year ended 31 December 2018	Year ended 31 December 2018 – illustrative [4]	Year ended 31 December 2017
CEO – Single total remuneration figure (SFT) ($'000)	**2,856**	4,781	6,215
Ratio of SFT to UK employees[1]			
lower quartile	**30:1**	51:1	65:1
median	**20:1**	33:1	42:1
upper quartile	**11:1**	19:1	22:1
Compensation – all employees ($m)[2]	**425**	425	470
Compensation ratio[3]	**48%**	48%	44%
Number of bonus-eligible employees	**1,273**	1,273	1,183
Mean annual bonus award per bonus-eligible employee ($'000)	**185**	185	250
Median annual bonus award per bonus-eligible employee ($'000)	**30**	30	40
CEO SFT as % of total compensation of all employees	**0.7%**	1.1%	1.3%
Aggregate total SFT of all executive directors as % of total compensation of all employees	**1.5%**	2.5%	2.8%

1 CEO ratio calculated by comparing the Single Figure Table (SFT) disclosure for the CEO to the lower quartile, median and upper quartile remuneration for all UK employees for 2018 on the same basis (i.e salary, benefits, pension and variable remuneration). Total pay and benefits for the lower quartile paid, median paid and upper quartile paid UK-based employee in 2018 were $94,000 ($95,000 in 2017), $144,000 ($147,000 in 2017) and $254,000 ($280,000 in 2017) respectively. The salary component of pay for the lower quartile paid, median paid and upper quartile paid employee in 2018 was $78,000 ($67,000 in 2017), $114,000 ($86,000 in 2017) and $140,000 ($195,000 in 2017) respectively.

2 Compensation for all employees represents total fixed pay (salary, pension and benefits) and variable pay in respect of 2018.

3 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).

4 The column headed "Year ended 31 December 2018 – Illustrative" is included to aid understanding of the impact of the switch to the new LTIP award which means that no long-term variable pay is included in the directors single figure disclosure (table R1, page 78). For illustrative purposes an Expected Value of 50% of the face value of the LTIP award to be made in March 2019 has been assumed.

Directors' Remuneration Report continued

3. Remuneration outcomes in 2018

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 2018 and the prior year.

Single total figure of remuneration for executive directors (audited) – Table R1

	Executive Directors					
	Luke Ellis[1]		Mark Jones		Jonathan Sorrell	
All figures in USD	**2018**	2017	**2018**	2017	**2018**	2017
Salary	**1,100,000**	1,100,000	**600,000**	575,000	**750,000**	750,000
Taxable benefits[2]	**3,691**	3,256	**3,292**	2,869	**3,691**	3,256
Short term variable[3]	**1,603,250**	2,601,500	**912,000**	1,338,313	**1,121,250**	1,858,125
Long-term variable[4]	**–**	2,371,600	**–**	1,139,075	**–**	1,296,750
Pension benefits[5]	**134,250**	134,626	**74,891**	72,425	**91,534**	91,791
Other[6]	**14,888**	4,223	**10,865**	2,765	**1,445**	1,706
Total	**2,856,079**	**6,215,205**	**1,601,048**	**3,130,447**	**1,967,920**	**4,001,628**

3.2 Annual bonus in respect of 2018 performance

The annual 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 70% based on quantitative metrics and 30% on qualitative performance. The threshold, target and maximum ranges are considered to represent appropriately stretching levels of performance, as explained in detail in the Chairman's statement, 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 Total PBT (including adjusted Performance Fee PBT) 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. 2018 has been a year of continued growth building on the exceptional performance delivered in 2017. Industry-leading growth in net inflows was again delivered and good relative investment performance. However, the investment environment, for most asset classes, was challenging and this has negatively impacted on absolute performance.

Table R2 shows the results of the Committee's assessment of the performance delivered in 2018.

Annual bonus in respect of 2018 (audited) – Table R2

Financial Metric	Weighting	2017 actual	Threshold (25% of max)	Target (50% of max)	Maximum (100% of max)	Outcome	% achieved	Bonus outcome, after weighting (% of maximum)
Increase in Net Inflows	30%	15.8%	1.0%	3.5%	6.0%	9.9%	100%	30.0%
Core Management Fee PBT	20%	$178m	$197m	$210m	$223m	$203m	36.5%	7.3%
Core Total PBT	20%	$359m	$272m	$360m	$473m	$237m	0.0%	0.0%
TOTAL FINANCIAL METRICS	**70%**							**37.3%**
						CEO	CFO	President
NON-FINANCIAL METRICS	**30%**	See qualitative assessment (below)				**21.0%**	**23.5%**	**22.5%**
PERCENTAGE OF MAXIMUM ANNUAL BONUS AWARDED						**58.3%**	**60.8%**	**59.8%**
QUANTUM OF AWARD – TOTAL[7]						**$1,603,250**	**$912,000**	**$1,121,250**
QUANTUM OF AWARD – PAID IN CASH						**$801,625**	**$456,000**	**$560,625**
QUANTUM OF AWARD – DEFERRED						**$801,625**	**$456,000**	**$560,625**

1 Luke Ellis is a director of Ferox Master Fund, Ferox Fund Limited and Ferox Bear Fund. For 2017 and 2018, he received fees of $7,500 per annum in respect of these directorships. The figures in table R1 do not include these fees.
2 Taxable benefits include private medical insurance and gym membership subsidy.
3 See table R2 for details of the short term variable compensation award.
4 The first award under the new Man Group plc LTIP will be made in March 2019 for the three year performance period ending on 31 December 2021. To the extent the performance conditions have been achieved, any vested shares will be reported in this table in the report for 2021. Vested shares are subject to a further two year holding period. In 2017, the long-term variable remuneration was awarded under the Deferred Executive Incentive Plan which has been replaced by the LTIP.
5 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.
6 "Other" includes non-taxable benefits (e.g. life insurance, Group income protection and fund fee rebate. The fee rebates were higher in 2018 as the scheme only came into force in January 2017 and, therefore, the calculation period was longer in 2018).
7 50% of the bonus is paid in cash with the remaining 50% deferred into Man Group plc shares; when a director achieves their shareholding requirement, up to half the deferral may be into Man Group plc funds and the balance into shares. No further performance conditions apply to the deferral which vests in three equal tranches on the first, second and third anniversary of grant.

Key

Criteria fully met or exceeded

Criteria partially met

Criteria not met

Assessment of performance against qualitative objectives

Executive Director	Objective	Outcome
CEO	Overall performance of the Group particularly in setting conditions for long-term sustainable growth	Against a difficult environment for asset managers, the Group performed well on a relative basis with strong Net Inflows and average fund outperformance versus peers of 1.0%. Strong culture of risk management and compliance, with smooth introduction of MiFID II requirements. Due to negative backdrop in almost all markets, overall performance fee profitability was low.
	Retain and develop talent and ensure strong succession plan and processes	Continued focus on talent, with the creation of a dedicated talent team, both in London and the US. New Elite programme for high-performing individuals, to support future succession planning. Engagement levels improved again in the annual Employee Survey, now at 7.8/10, up from an already healthy 7.5/10. Succession planning processes and identification and development of future talent at more junior levels in the organisation need more development.
	Continue to strengthen client relationships	Strong personal focus on client relationships, meeting with hundreds of Man Group's key current and prospective clients and contributing to another year of industry-leading Net Inflows.
	Focus on innovation in product, people and technology	Innovative products have been a key driver of FUM growth during the year, particularly Alternative Risk Premia and Diversified Risk Premia. Expansion of seeding programme to support pipeline of new ideas. Significant investment in research and technology teams to support innovation in product pipeline and alpha generation.
	Build reputation of Man Group with key external stakeholders	Good relationships with shareholders. Positioning Man Group as a leader in responsible investment. Strong leadership in CSR on volunteering and supporting diversity in STEM and education. More work to be done to raise Man Group's profile and importance with other stakeholders.
	Drive improved diversity	Substantial work and leadership both internally and externally in supporting diversity initiatives. Provided all employees with enhanced parental leave and introduced work returner scheme post-maternity. Created new internal groups promoting diversity and assigned each senior executive leadership responsibility for a particular area of diversity. Signed up to Women in Finance initiative. Industry and Man still rank poorly on many diversity outcomes reflecting the starting position in these areas, hence the amber rating, despite excellent initiatives.
CFO	Accurate, appropriate, clear, proactive and timely reporting	Enhanced monthly financial reporting, focused on underlying cash flow, fund performance, sales pipeline and performance fee income.
	Enhance role of finance as a driver of change in business	Created new business partnering team to support financial decision-making across the business. Implemented automation to provide daily management information at Group and investment engine level.
	Diversity and development of people	Led programme of business education for Finance. Scope to contribute more broadly in this area across the firm.
	Manage Group capital	Negotiated triennial valuation update with DB pension trustees, resulting in the return of £14.2 million of surplus funding to Man Group. Supported a range of new launches with the seed book (with benchmark hedges where appropriate) whilst remaining well within VaR limit. Effective hedging of seed book protected the balance sheet in more difficult macro environment. Led work on potential corporate restructure with the Chief Administrative Officer.
	Oversee a strong risk and control function	Led the project to implement a new finance and HR system from Workday to improve automation and control environment which went live at the start of 2019.
President	Grow global client relationships	Led the successful execution of a strategy in Sales which aligns resources to targeted opportunities and seeks to develop strong client relationships. Met personally with over 100 accounts globally, representing current and prospective clients of the firm, as part of efforts to strengthen existing relationships and prospect new ones. Strong net inflows delivered in 2018.
	Diversity and development of team	Personally sponsored the newly launched BEAM Network (Black Employees at Man) which is part of the firm's Drive programme. Further enhanced the Sales training programme with a focus on product and skills-based training, together with encouraging professional qualifications where appropriate.
	Source and review potential acquisitions	Significant effort to source new investment capabilities, with a focus on Man GPM, with over 100 new managers assessed. No acquisitions were made given terms were not sufficiently attractive for Man Group shareholders.
	Continue growth of FRM solutions	FRM continued its transition to a solutions-focused business, with continued client engagement on the managed account offering and Alternative Risk Premia product. Infrastructure outflow in Q3 driven by client allocation decision, not FRM's service.
	Develop our private assets business	Developed and launched a new commingled US real estate equity fund. Two key hires made for the European business. Growth was satisfactory given the market environment, although further progress needed to scale the business.

Directors' Remuneration Report continued
3. Remuneration outcomes in 2018 continued

3.3 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 R3

	CEO			All Staff
	All figures in $'000s			
	2018	2017	% change	% change[1]
Salary	**1,100**	1,100	0	3[3]
Taxable benefits[2]	**4**	3	13	1[3]
Short term variable	**1,603**	2,602	-38	-26[4]

3.4 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.

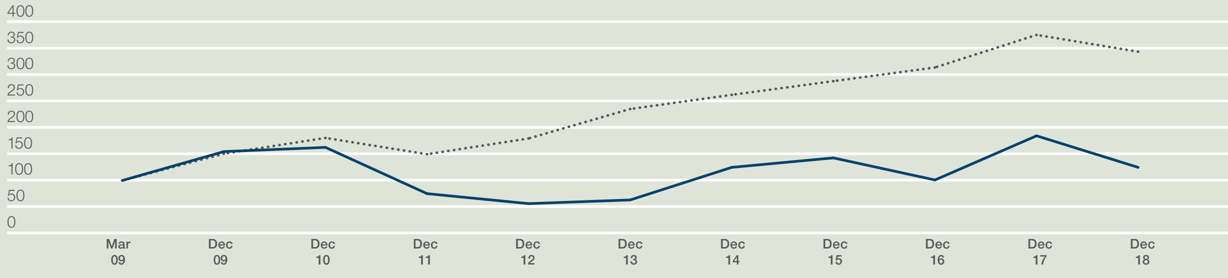
Relative importance of spend on pay – Table R4

	2018 $m	2017 $m	% change
Total employee expenditure[5]	**436**	474	-8%
Shareholder distributions[6]	**400**	250	60%

3.5 Review of past performance

The performance graph below compares the Company's total shareholder return performance against the FTSE 350 Financial Services Index. 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. As set out elsewhere in the report, the first performance period for the new LTIP commences on 1 January 2019 and 25% of the outcome will be determined by Man's TSR performance compared to the FTSE 250 Index. Consequently, from 2019, this TSR chart will switch to the FTSE 250 Index as the principal comparator.

Relative TSR Performance (Mar 09 – Dec 18)



Source: Datastream

1 Figures are calculated on a per capita basis.
2 Taxable benefits include private medical insurance and gym membership subsidy.
3 Represents the average increase in salary and taxable benefits in underlying currency in which each employee is paid.
4 For staff, short term variable remuneration includes both variable cash compensation and deferred awards relating to the current year.
5 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.
6 Distributions to shareholders (dividends paid of $158 million and repurchase of shares of $92 million in 2017; dividends paid of $189 million and repurchase of shares of $211 million in 2018).

Historical CEO remuneration – Table R5

Accounting period ended		31 Mar 2010	31 Mar 2011[1]	31 Dec 2011[2]	31 Dec 2012	31 Dec 2013	31 Dec 2014	31 Dec 2015	31 Dec 2016	31 Dec 2017	**31 Dec 2018**
CEO single figure ($'000)	L Ellis[3]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,347	6,215	2,856
	E Roman[3]	n/a	n/a	n/a	n/a	3,397	5,068	5,367	910	n/a	n/a
	P Clarke[3]	6,299	8,173	6,437	1,048	978	n/a	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%	58.3%
	E Roman[3]	n/a	n/a	n/a	n/a	70%	100%	83.3%	n/a	n/a	n/a
	P Clarke[3]	n/a	n/a	n/a	n/a	0%	n/a	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%	n/a[5]
	E Roman[3]	n/a	n/a	n/a	n/a	17%	40%	40.7%	n/a	n/a	n/a
	P Clarke[3]	n/a	n/a	n/a	n/a	0%	n/a	n/a	n/a	n/a	n/a

3.6 Retirement benefits

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

3.7 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 2018 and the prior year.

Single total figure of remuneration for non-executive directors (audited) – Table R6

	Fees		Taxable Benefits[11]		Total	
All figures in GBP	**2018**	2017	**2018**	2017	**2018**	2017
Lord Livingston of Parkhead	**450,000**	450,000	**1,631**	341	**451,631**	450,341
Dame Katharine Barker[6]	**80,000**	56,250	**–**	–	**80,000**	56,250
Richard Berliand[7]	**120,000**	99,769	**–**	–	**120,000**	99,769
John Cryan	**70,000**	65,000	**1,310**	–	**71,310**	65,000
Zoe Cruz[8]	**46,667**	–	**5,467**	–	**52,134**	–
Andrew Horton[9]	**92,500**	80,000	**–**	–	**92,500**	80,000
Matthew Lester[9]	**92,500**	95,000	**–**	–	**92,500**	95,000
Dev Sanyal	**85,000**	80,000	**1,392**	1,279	**86,392**	81,279
Nina Shapiro[10]	**62,153**	75,000	**5,535**	18,248	**67,688**	93,248

1 Salary and benefits are for 12 months and bonus for nine months.
2 Salary and benefits are for nine 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.
5 The first award under the new LTIP will be made in March 2019 for the performance period from 1 January 2019 to 31 December 2021 and vest in March 2022, with a subsequent two-year holding period. The percentage of the award vesting, based on performance against the plan metrics over the three-year period, will be included in this table for the year-ended 31 December 2021.
6 Dame Katharine Barker was appointed to the Board on 1 April 2017. Her remuneration for 2017 has been pro-rated accordingly.
7 Richard Berliand was appointed as Senior Independent Director following the 2017 AGM. His remuneration for 2017 has been pro-rated accordingly.
8 Zoe Cruz was appointed to the Board on 1 June 2018. Her remuneration for 2018 has been pro-rated accordingly.
9 Andrew Horton took over as chair of the Audit and Risk Committee from Matthew Lester on 1 July 2018. Their remuneration for 2018 has been pro-rated accordingly.
10 Nina Shapiro retired from the Board on 9 October 2018. Her remuneration for 2018 has been pro-rated accordingly.
11 Taxable benefits comprise travel and staff entertainment expenses.

Directors' Remuneration Report continued
3. Remuneration outcomes in 2018 continued

3.8 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.

3.9 Directors' interests

Directors' interests in shares of Man Group plc (audited) – Table R7

	Number of ordinary shares[1] 31 December 2018[2]	Number of ordinary shares[1] 31 December 2017
Executive directors		
Luke Ellis	**3,073,703**	2,419,391
Mark Jones	**252,408**	142,602
Jonathan Sorrell	**775,952**	666,917
Non-executive directors		
Lord Livingston of Parkhead	**62,789**	33,138
Dame Katharine Barker	**42,948**	40,910
Richard Berliand	**50,000**	50,000
John Cryan	**–**	–
Zoe Cruz[3]	**–**	–
Andrew Horton	**100,000**	50,000
Matthew Lester	**22,692**	22,692
Dev Sanyal	**77,993**	74,292
Nina Shapiro[4]	**28,258**	28,258

Executive directors' shareholdings measured against their respective shareholding requirement as at 31 December 2018 – Table R8

Executive directors	Shares owned outright	Shares no longer subject to performance conditions[7]	Total Shareholding[6]	Value of shareholding[8] (USD)	Annual Salary (USD)	Shareholding requirement as a % of salary[5]	Current shareholding as a % of salary	Requirement met?
Luke Ellis	3,073,703	1,242,035	4,315,738	7,324,152	1,100,000	300%	666%	Yes
Mark Jones	252,408	728,062	980,470	1,663,936	600,000	200%	277%	Yes
Jonathan Sorrell	775,952	1,190,045	1,965,997	3,336,453	750,000	200%	445%	Yes

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 2018 up to 1 March 2019, being the latest practicable date prior to the publication of this report.
3 Zoe Cruz was appointed to the Board on 1 June 2018.
4 Shareholding as at 9 October 2018, the date at which Nina Shapiro retired from the Board.
5 The new Directors Remuneration Policy, approved in May 2018, increased the shareholding requirements to 300% and 200% of salary, for the CEO and other Executive Directors, from 200% and 100% of salary respectively.
6 Shares that count towards achievement of the policy are limited to: shares owned outright and deferred shares, granted under the Deferred Executive Incentive Plan (DEIP), Deferred Share Plan (DSP) and Partner Deferred Share Plan (PDSP), which are no longer subject to performance conditions.
7 In future, LTIP shares retained during the two-year post-vesting retention period will also count towards achievement of the requirement. Unvested shares no longer subject to performance conditions are shown on a net of tax basis. Details of unvested awards can be found in Tables R10 and R12.
8 Shareholdings valued at 31 December 2018 share price of £1.33 and a GBP/USD exchange rate of £1 = $1.2760

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

Scheme interests to be awarded under the Man Group plc Long-Term Incentive Plan (LTIP) (audited)[1] – Table R9

Executive director	Award (% of maximum opportunity)	Award value[2] (USD)	Vesting Date	End of retention period date
Luke Ellis	100%	$3,850,000	Mar-22	Mar-24
Mark Jones	100%	$2,143,750	Mar-22	Mar-24
Jonathan Sorrell	100%	$2,625,000	Mar-22	Mar-24

Conditional share awards under the Deferred Executive Incentive Plan (DEIP) – subject only to service conditions (audited) – Table R10

Executive director	Date of grant	1 January 2018	Granted during year[3]	Dividends accruing[4]	Vested during the period	31 December 2018	Date vested
Luke Ellis	Mar-17[8]	**284,382**	–	14,208	–	**298,590**	–
	Mar-18[9]	**–**	991,520	49,536	–	**1,041,056**	–
Mark Jones	Mar-18[9]	**–**	476,225	23,790	–	**500,015**	–
Jonathan Sorrell	Mar-14[5]	**178,341**	–	4,454	89,169	**93,626**	Mar-18
	Mar-15[6]	**350,883**	–	11,686	116,961	**245,608**	Mar-18
	Mar-16[7]	**612,201**	–	30,585	–	**642,786**	–
	Mar-17[8]	**661,090**	–	33,027	–	**694,117**	–
	Mar-18[9]	**–**	542,146	27,084	–	**569,230**	–

Options granted under the Man Group Deferred Share Plans – not subject to service conditions (audited) – Table R11

Executive director	Date of grant	1 January 2018	Exercised during period	31 December 2018	Option exercise price	Latest exercise date
Luke Ellis[10]	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[11]	Partner Deferred Share Plan (POP)					
	Mar-11	**356,110**	–	**356,110**	308.55p	Mar-21

1 The first awards under the LTIP will be made in March 2019 for the three year performance period commencing on 1 January 2019 and ending on 31 December 2021; the proportion of the award which vests will be determined based on the measures, weightings and target ranges set out in table R17 on page 85.
2 The monetary value of these awards will be converted into a number of shares using the USD/GBP exchange rates and the market value on the immediately preceding dealing day to grant. The awards will be granted as conditional awards of shares and will vest, to the extent the performance conditions have been achieved, three years later and will then be subject to a further two year retention period, under the LTIP rules. These awards attract dividend accruals from grant date to the end of the two year retention period for vested shares.
3 The award values of $2,371,600, $1,139,075 and $1,296,750 for Luke Ellis, Mark Jones and Jonathan Sorrell respectively included in table R6 in the DRR for the financial year ended 31 December 2017 were converted into the number of shares shown above using the USD/GBP exchange rate of $1=£0.7210 and a share price of £1.7245, being the market value on the immediately preceding dealing day to grant. These awards attract dividend accruals.
4 On 18 May 2018 dividend accruals of 27,240, 10,167 and 45,657 shares were added to Luke Ellis, Mark Jones and Jonathan Sorrell's awards respectively based on a Sterling dividend of 4.18 pence. On 5 September 2018, dividend accruals of 36,504, 13,623 and 61,179 shares were added to Luke Ellis, Mark Jones and Jonathan Sorrell's awards respectively based on a Sterling dividend of 4.88 pence.
5 Remaining award vests in March 2019.
6 Remaining award vests in two equal instalments in March 2019 and March 2020.
7 Award vests in three equal instalments in March 2019, March 2020 and March 2021.
8 Award vests in three equal instalments in March 2020, March 2021 and March 2022.
9 Award vests in three equal instalments in March 2021, March 2022 and March 2023.
10 Luke Ellis was granted KEOP options under the Deferred Share Plan prior to his appointment as a director. All options are vested.
11 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
3. Remuneration outcomes in 2018 continued

Options granted under the Man Group Deferred Share Plans – subject only to service conditions (audited) – Table R12

Executive director	Date of grant	1 January 2018	Dividends accruing[10]	Exercised/ vested during period	31 December 2018	Exercise/ vesting date
Luke Ellis[1]	**Deferred Share Plan (DSP)**					
	Mar-15	**148,708**	—	148,708	**—**	Mar-18
	Mar-15[2]	**401,016**	20,035	—	**421,051**	
	Mar-16[3]	**328,748**	8,212	164,373	**172,587**	Mar-18
	Mar-17[4]	**585,992**	19,516	195,330	**410,178**	Mar-18
Mark Jones[5]	**Partner Deferred Share Plan (PDSP)**					
	Mar-15	**14,973**	—	14,973	**—**	Mar-18
	Mar-15[6]	**401,016**	20,035	—	**421,051**	
	Mar-16[7]	**98,754**	2,466	49,377	**51,843**	Mar-18
	Deferred Share Plan (DSP)					
	Mar-17[8]	**290,812**	14,529	—	**305,341**	
	Mar-17[9]	**136,368**	4,540	45,456	**95,452**	Mar-18

Options granted under the Man Group Sharesave Scheme (audited) – Table R13

		Number of options							
Executive director	Date of grant	**1 January 2018**	Granted during year	Exercised during period	Lapsed during year	**31 December 2018**	Option price	Earliest exercise date	Latest exercise date
Luke Ellis	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	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

3.11 Shareholder voting and engagement

At the AGM held on 11 May 2018, votes cast by proxy and at the meetings in respect of directors' remuneration were as follows:

Table R14

Resolution	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld (abstentions)
Approve the annual report on remuneration	1,116,399,486	95.8%	48,822,107	4.2%	1,165,221,593	577,813
Approve the directors' remuneration policy	1,132,967,350	97.2%	32,266,653	2.8%	1,165,234,003	565,403

1 Luke Ellis was granted nil-cost options under the Deferred Share Plan prior to his appointment as a director.
2 Award vests in a single instalment in March 2020 and will be exercisable until March 2025.
3 One half of the remaining Award vested and was exercised in March 2018; the second half of the remaining Award will vest in March 2019 and will be exercisable until March 2026.
4 One third of the Award vested and was exercised in March 2018; the remainder of the Award will vest in equal tranches in March 2019 and March 2020 and will be exercisable until March 2027.
5 Mark Jones was granted nil-cost options under the Deferred Share Plan as well as conditional awards under the Partner Deferred Share Plan prior to his appointment as a director.
6 Award vests in a single instalment in March 2020. Shares are delivered upon vesting.
7 One half of the remaining Award vested in March 2018; the second half of the remaining Award will vest in March 2019. Shares are delivered upon vesting.
8 Award vests in a single instalment in March 2022 and will be exercisable until March 2027.
9 One third of the Award vested and was exercised in March 2018; the remainder of the Award will vest in equal tranches in March 2019 and March 2020 and will be exercisable until March 2027.
10 On 18 May 2018 dividend accruals of 20,411 and 17,765 were added to Luke Ellis and Mark Jones awards respectively based on a Sterling dividend of 4.18 pence. On 5 September 2018, dividend accruals of 27,352 and 23,805 were added to Luke Ellis and Mark Jones awards respectively based on a Sterling dividend of 4.88 pence.

4. Implementation of directors' remuneration policy for 2019

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 R15

Base salary at	Luke Ellis	Jonathan Sorrell	Mark Jones
1 January 2018	$1,100,000	$750,000	$600,000
1 January 2019	$1,100,000	$750,000	$612,500

4.2 Annual bonus for 2019

The following table shows the performance metrics and weightings for the annual bonus in 2019. The Remuneration Committee considers that the disclosure of detailed performance targets in advance for 2019 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 2019.

Table R16

Metrics	Weighting %
Net Inflows	30%
Core Management Fee PBT, $m	20%
Core Total PBT, $m	20%
Strategic and Personal	30%
Total	100%

4.3 Long-term incentive plan for 2019

The first award under the new Man Group plc LTIP will be made in March 2019 and the threshold to maximum ranges are set out in the table below. Awards vest at 0% at threshold, 50% at target and 100% at maximum with straight line vesting between these points.

Table R17

Metrics	Threshold	Target	Maximum	Weighting %
Relative Investment Performance	0%	3%	6%	25%
Relative TSR vs FTSE 250	Median	Mid-point between Median and Upper Quartile	Upper Quartile	25%
3-year Cumulative Core Management Fee EPS, cents	33¢	36¢	39¢	20%
3-year Cumulative Core Total EPS, cents	45¢	59¢	78¢	20%
Cumulative Net Inflows	3%	10.5%	18%	10%
Total				100%

4.4 Non-executive director remuneration policy for 2019

There has been no increase in fees for the Chairman since his appointment in 2016, nor any increase for the role since 2007. There has been no increase in non-executive directors' Board fees since January 2018 when the fees were increased, for the first time since 2009, to recognise the increased demands associated with the role.

Non-executive directors' fees for 2019 – Table R18

Position (All figures in GBP)	2019	2018	% increase
Chairman of the Board	450,000	450,000	–
Board fee[1]	70,000	70,000	–
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.

Directors’ Remuneration Report continued

5. Remuneration Committee

5.1 Membership and attendance

The Committee met six times during 2018 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 R19

Committee member	Meetings attended
Richard Berliand (Chairman)	6/6
Dame Katharine Barker	6/6
Lord Livingston of Parkhead	6/6
Zoe Cruz (appointed 1 June 2018)	3/3[1]
Nina Shapiro (retired 9 October 2018)	5/5[2]

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 Global 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 the Company’s business strategy, objectives, risk appetite and values, comply with all regulatory requirements and promote long-term shareholder and other stakeholder 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 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 ongoing 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

1 Appointed to the Board on 1 June 2018 and attended all meetings thereafter.
2 Retired from the Board on 9 October 2018 and attended all meetings prior to that date.

5.2 Independent advisers

Following a formal tender process in July 2017, the Committee appointed PriceWaterhouseCoopers (PwC) to provide it 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 PwC in 2018 were £77,500 (2017: £78,250) 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.

5.3 Committee activities during 2018 and the early part of 2019

The summary below sets out the main issues considered and decisions made by the Committee in the period following the publication of the 2017 Directors' Remuneration report up to the current date.

Executive director compensation

- 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 of the annual bonus.
- Assessed the 2018 performance of the CEO, CFO and President against the financial and non-financial metrics of the annual bonus, considered whether any discretionary intervention was required to adjust the formulaic outcome and approved the total cash sum payable and the amount to be deferred.
- Reviewed the level of achievement of each executive director in respect of their shareholding requirement and consequently determined whether the option to defer up to 50% of the bonus deferral amount into funds could be offered.
- Established threshold, target and maximum ranges to be achieved for the metrics for the first three year performance period, from 1 January 2019 to 31 December 2021, of the Man Group plc LTIP and approved the awards to be made under it.
- Approved a salary increase for the CFO for 2019.
- 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 2018 AGM resolutions for the new Remuneration Policy, the DRR and the new LTIP, noting the substantial level of support.
- Continued to undertake shareholder engagement, including meetings in Autumn 2019 with some of the proxy voting bodies, to explain the approach to establishing stretch targets for the bonus and LTIP.
- Reviewed the 2018 DRR taking account of best practice recommendations and institutional shareholder guidelines. A detailed review was also undertaken of the requirements of the new UK Corporate Governance Code and The Companies (Miscellaneous Reporting) Regulations 2018. It was noted that Man Group had already adopted some of the new requirements in earlier reports, including CEO ratio reporting and explaining the exercise of discretion, if any. Approved the additional early adoption of the requirement to show the impact of share price appreciation on remuneration in the illustrative pay-for-performance scenarios (page 75).

Compensation below Board level

- Supported by management, undertook a detailed review of the approach to compensation below Board level.
- Reviewed, challenged and approved the 2018 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 2018 and their adherence to the Company's business values.
- Approved the total compensation for BIPRU, AIFMD and UCITS V 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 2018 and reports from the Risk and Compliance functions on any related risk issues arising during the year.
- Reviewed the ratio of CEO pay to the lower quartile, median and upper quartile remuneration paid to UK employees and considered the reasons for the movement since 2017 (see page 77).

Directors' Remuneration Report continued
5. Remuneration Committee continued

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, UCITS V and MiFID II Remuneration Policy.
- Approved the list of BIPRU, AIFMD and UCITS V Remuneration Code staff and MiFID staff for 2018.

5.4 2018 Committee evaluation
Following a mid-year review, by the Chairman, of the 2018 priority actions identified in the Committee's 2017 evaluation, an independent external consultant undertook a full year evaluation of the operation and effectiveness of the Committee during 2018. The topics covered included progress on the priorities for 2018 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 again acknowledged the quality of the advice provided by its advisers and the thorough and professional papers delivered to the Committee to support its decision-making. The following specific areas of focus were agreed for 2019:

- deliver the 2018 DRR
- continue the Committee's engagement with shareholders as appropriate to ensure the Committee retains an excellent understanding of any areas of particular concern or focus and responds accordingly
- implement and embed the approach to oversight of workforce remuneration for the purposes of taking this into account in determining executive remuneration
- ensure a robust process exists for explaining to the workforce how executive remuneration aligns with wider company pay policy
- keep the compensation models below Board level under review
- 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 Group's competitors for similar positions and which they may be offering in the market place.

Man Group 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
- Standard Life Aberdeen
- Ashmore
- Close Brothers
- TP ICAP
- Intermediate Capital Group
- 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 Henderson
- 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

Many of Man Group'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 Group 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 Group and these private companies.

Man Group 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 Group, the Committee believes that, while they are broadly comparable, Man Group tends to be more diverse geographically and have a wider range of fund strategies. However, these groups share some of Man Group'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 Group 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 Group has also obtained direct information about remuneration in those privately held companies that Man Group 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

1 March 2019

Directors' report

The Directors present their report, together with the audited consolidated financial statements, for the year ended 31 December 2018.

Man Group plc is incorporated as a public limited company 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 45–47. The following Board changes have occurred during the year:

Zoe Cruz	Appointed 1 June 2018
Nina Shapiro	Retired 9 October 2018

Details of the directors' interests in the Company's shares are given on page 82 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 2018, 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 latest total voting rights announcement prior to the date of the movement triggering the notification.

It should be noted that these holdings are likely to have changed since the Company was notified. However, notification of any change is not required until the next notifiable threshold is crossed.

Shareholder	Number of shares notified to the Company	Percentage of issued share capital	Date of notification
BlackRock, Inc.	83,046,394	5.06%	05/02/2018
Silchester International Investors LLP	85,232,803	5.00%	13/04/2016

No changes to the above were disclosed to the Company in accordance with DTR 5 during the period 1 January to 28 February 2019 inclusive, being the latest practicable date prior to the publication of this report.

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 partial upfront consideration for the acquisition of Aalto Invest Holding AG (Aalto), became subject to share lock-up agreements. Under the terms of such agreements, and with limited exceptions, the shares could not be disposed of until 1 January 2019 (second anniversary of the acquisition).

On 28 August 2018, 3,140,953 ordinary shares in the Company, which were issued in part settlement of an earn out payment made in connection with the acquisition of Aalto, became subject to share lock-up agreements. Subject to a number of limited exceptions, the shares must not be disposed of until 1 January 2020 (third 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 product incentive schemes contain provisions whereby, upon a change of control of the Company, outstanding options and awards will vest and become exercisable, subject to any prorating that may be applicable.

In the event that the change of control of the Company relates to an internal reorganisation, the Board may determine, with the consent of the new controlling company, that in the case of share awards the outstanding options and awards will not vest and will be automatically surrendered in consideration for the grant of new equivalent awards or options in the new controlling company and that fund product awards will not vest but will continue to subsist.

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 2019 AGM.

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 2018 which are incorporated into the Directors' report by reference:

	Pages
Future developments in the business	8–17
Research and development activities	12–17
Dividend	26, 112, 146–147
Dividend waiver	123
Employment policy and employee involvement	34–37, 41
Financial risk management and financial instruments	117, 131–133
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For and on behalf of the Board

Rachel Rowson
Company Secretary
1 March 2019

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
- 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
- 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 45–47 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
- 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 Group'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

In our opinion:

- the financial statements of Man Group plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 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 and Parent Company Statements of changes in equity;
- the Group cash flow statement;
- the Group and Parent Company statement of accounting policies; 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 Financial Reporting Council's (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: – Valuation of Numeric and Aalto contingent consideration; and – Accuracy of performance fees 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 for the Group financial statements was \$15.8m (2017: \$15m) which was determined on the basis of 5% of the two-year average of the adjusted profit before tax.
Scoping	We performed a full scope audit of 23 (2017:18) subsidiaries and audits of specified account balances within a further 10 (2017:14) subsidiaries across eight (2017: seven) geographic locations. Together, this accounts for 99% (2017:99%) of the Group's revenue and 99% (2017:98%) of the Group's profit before tax.
Significant changes in our approach	The impairment assessment of GLG and FRM in respect of acquired intangibles and Aalto acquisition accounting matters are no longer considered key audit matters in the current year. Refer below in the "Key Audit Matter" section for the rationale. There are no other significant changes in our approach apart from these key audit matters.

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 twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

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 31-33 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 30 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 28 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.

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:

- The audit matter around impairment of the acquired intangibles is no longer considered a key matter as there is significant headroom in GLG; and the carrying value of the FRM intangible assets at 31 December 2018 is below materiality after amortisation for the period. The headroom between the fair value and carrying value of GLG acquired intangible assets is sufficiently large that the estimates used do not have a significant risk of resulting in material adjustment to the carrying value; and
- Acquisition accounting of Aalto is not a key audit matter in the current year as the nature of this matter is such that it will only arise in the year of acquisition.

All of the key audit matters identified below should be read in conjunction with the significant issues considered by the Audit & Risk Committee discussed on page 60.

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 \$172m (Dec 2017: \$175m) and \$37m (Dec 2017: \$60m) respectively is stated at fair value, a key estimate as disclosed in Note 1. The value is thus dependent on the estimated future run rate revenues as determined by management, detailed in Note 25. Changes in the valuation of the contingent consideration are recognised in the Group income statement. Given the level of judgement involved in deriving necessary assumptions and the sensitivity of the fair value, the use of reasonable assumptions is deemed to be 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 challenging the forecast Funds Under Management ("FUM") flows and performance against recent industry flows and performance, challenging the discount rate and future growth rate applied through discussions with management based on the results of our reviews. 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 certain Board members of Man Group, comparing these discussions with the modelling for consistency. We performed a comparison of key assumptions to those applied by peers. 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	Based on our work, 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 performance fees

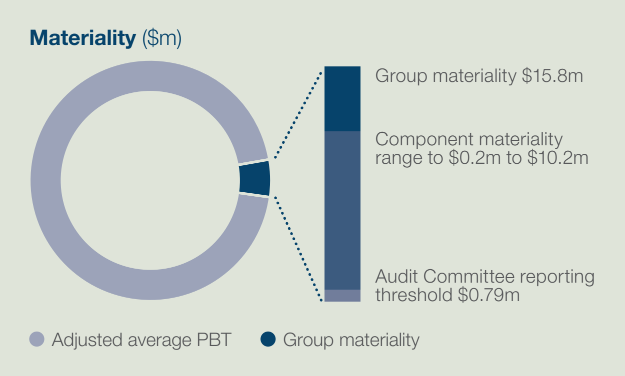
Key audit matter description	Performance fees are manually calculated as they are performed less frequently and are more complicated than management fee calculations, increasing the relative risk of misstatement. The performance fees require the accurate implementation of methodologies as set out in the governing documents which are bespoke for each client or fund. The value of performance fees recorded in the year is $126m (2017: $287m). The performance fee calculation require 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 reported fee bases, which can change after the period end. The accounting policy for performance fee revenues is detailed in Note 2.
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 processes, assessing the design and operating effectiveness of key controls. 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. For all estimates subsequently finalised and invoiced after the year end, we assessed the amounts invoiced against the accrued estimate at the year-end in mid-February.
Key observations	Based on our work, 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	$15.8m (2017: $15m)	$6m (2017: $6m)
Basis for determining materiality	5% of the two-year average adjusted profit before tax ("PBT")	3% of Total shareholders' funds, capped at 40% of the Group financial statements materiality.
Rationale for the benchmark applied	Group financial statements: Adjusted PBT is a key alternative performance measure reconciled to statutory profit on page 143 of this annual report. Adjusted PBT 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 2018, performance fees of $126m have been recorded in comparison to $287m in 2017. As a result, we have taken an average of the current year and prior year adjusted profit before tax ($251m and $384m respectively) in order to create a more stable basis. 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 deem 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 the Group audit. The materialities of components of the Group are determined with reference to each component's contribution to Group PBT on an absolute basis.	



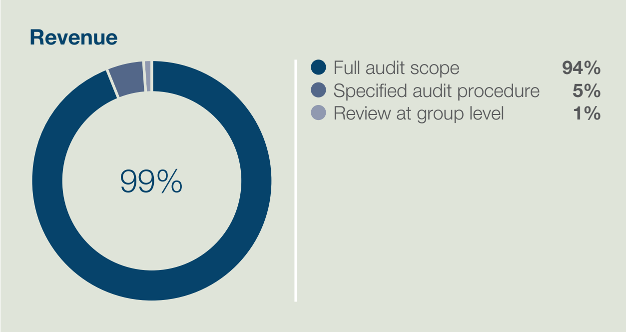
We agreed with the Audit & Risk Committee that we would report to the Committee all audit differences in excess of $790k (2017: $750k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit & Risk committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

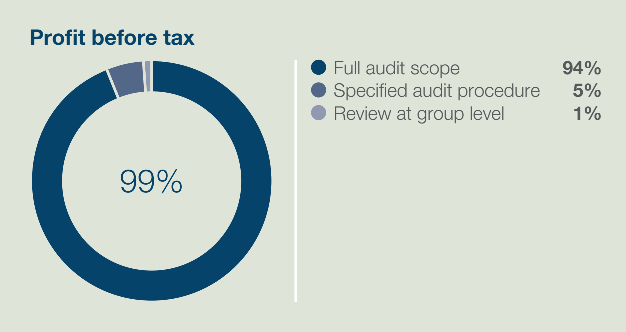
An overview of the scope of our audit

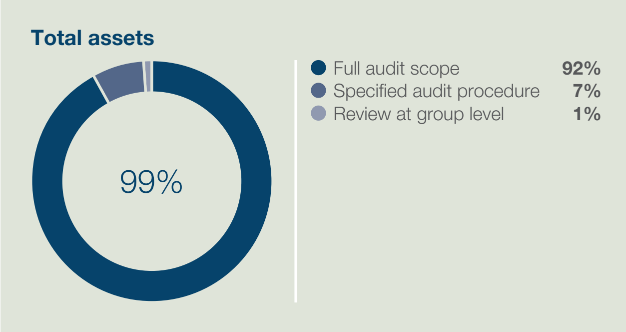
We perform our global scoping assessment on an individual entity by entity basis to determine the 'significant components' or specified balances which should be subject to testing. In doing so, we perform both a quantitative and qualitative assessment of all entities within the consolidated Group. Our 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 or management interest 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 eight geographical locations. This included the full audit of 23 (2017: 18) subsidiaries across the UK, the US, Switzerland, Ireland, the Cayman Islands and the Channel Islands. A further 10 (2017: 14) subsidiaries across Hong Kong, the US, the Channel Islands 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 eight (2017: seven) geographical locations represent the principal business units and account for 99% (2017: 98%) of Man Group's total assets, 99% (2017: 99%) of Man Group's revenue and 99% (2017: 98%) 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 audit work at the 33 (2017: 32) subsidiaries was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from $0.2m to $10.2m (2017: $0.2m to $9.75m). There has been no change in our approach to the testing at the Parent Company level.







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, 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.

Independent auditor's report to the members of Man Group plc continued

Other information

The directors are responsible for the 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.

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 position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
– Audit & Risk committee reporting – the section describing the work of the Audit & Risk committee does not appropriately address matters communicated by us to the Audit & Risk 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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

– enquiring of management, internal audit, and the Audit & Risk committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
  – identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  – detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  – the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
– discussing among the engagement team including significant component audit teams and involving relevant internal specialists, including tax, valuations, pensions and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud; and
– obtaining an understanding of the legal and regulatory frameworks that the Group operates in, focusing on those laws and regulations that have a direct effect on the financial statements or that could have a fundamental effect on the operations of the Group. The key laws and regulations we considered in this context include the UK Companies Act, Listing Rules and Disclosure Guidance and Transparency Rules, pensions legislation, tax legislation and matters regulated by the Financial Conduct Authority (the Group's lead regulator). In addition, compliance with terms of the Group's regulatory capital requirements were fundamental to the Group's ability to continue as a going concern.

Audit response to risks identified
As a result of performing the procedures above, we identified key audit matters regarding the accounting estimates made by management for the valuation of the Numeric and Aalto contingent consideration payable; and the accuracy of performance fees. Judgments and decisions made by management regarding these accounting estimates have the potential for bias which represents a risk of material misstatement due to fraud.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit & Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and the Financial Conduct Authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialist and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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 five years, covering the years ending 31 December 2014 to 31 December 2018.

Consistency of the audit report with the additional report to the audit & risk committee
Our audit opinion is consistent with the additional report to the audit & risk committee we are required to provide in accordance with ISAs (UK).

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.

David Barnes
(Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
1 March 2019

Group income statement

$m	Note	Year ended 31 December 2018	Year ended 31 December 2017
Revenue:			
Gross management and other fees	2	**834**	781
Performance fees	2	**126**	287
		960	1,068
Income or (losses)/gains on investments and other financial instruments	13.1	**(10)**	64
Gain on sale of investment in Nephila	17	**113**	–
Third-party share of losses/(gains) relating to interests in consolidated funds	13.2	**7**	(14)
Revaluation of contingent consideration	25	**31**	(15)
Reassessment of litigation provision	16	**–**	24
Distribution costs	3	**(51)**	(56)
Asset servicing	3	**(51)**	(37)
Compensation	4	**(437)**	(478)
Other costs	5	**(175)**	(173)
Amortisation of acquired intangible assets	10	**(83)**	(84)
Share of post-tax profit of associates	17	**7**	8
Finance expense	6	**(40)**	(38)
Finance income	6	**7**	3
Profit before tax		**278**	272
Tax expense	7	**(5)**	(17)
Statutory profit attributable to owners of the Parent Company		**273**	255
Earnings per share:	8		
Basic (cents)		**17.3**	15.5
Diluted (cents)		**17.0**	15.3

Group statement of comprehensive income

$m	Year ended 31 December 2018	Year ended 31 December 2017
Statutory profit attributable to owners of the Parent Company	**273**	255
Other comprehensive income/(expense):		
Remeasurements of post-employment benefit obligations	**15**	3
Current tax credited/(debited) on pension scheme	**4**	(5)
Deferred tax (debited)/credited on pension scheme	**(6)**	1
Items that will not be reclassified to profit or loss	**13**	(1)
Cash flow hedges:		
Valuation (losses)/gains taken to equity	**(16)**	18
Transfer to Group income statement	**(5)**	9
Deferred tax credited/(debited) on cash flow hedge movements	**4**	(5)
Net investment hedge	**4**	(4)
Foreign currency translation	**(11)**	12
Recycling of FX revaluation to the Group income statement on liquidation of subsidiaries	**–**	1
Items that may be reclassified subsequently to profit or loss	**(24)**	31
Other comprehensive (expense)/income (net of tax)	**(11)**	30
Total comprehensive income attributable to owners of the Parent Company	**262**	285

Group balance sheet

$m	Note	At 31 December 2018	At 31 December 2017
Assets			
Cash and cash equivalents	12	**370**	379
Fee and other receivables	14	**307**	491
Investments in fund products and other investments	13	**770**	729
Pension asset	21	**24**	32
Investments in associates	17	**–**	29
Leasehold improvements and equipment	18	**46**	44
Goodwill and acquired intangibles	10	**938**	1,024
Other intangibles	11	**26**	23
Deferred tax assets	7	**93**	81
		2,574	2,832
Non-current assets held for sale	13	**39**	145
Total assets		**2,613**	2,977
Liabilities			
Trade and other payables	15	**701**	843
Provisions	16	**26**	34
Current tax liabilities	7	**10**	21
Third-party interest in consolidated funds	13	**100**	99
Borrowings	12	**150**	150
Deferred tax liabilities	7	**33**	48
		1,020	1,195
Non-current liabilities held for sale	13	**–**	66
Total liabilities		**1,020**	1,261
Net assets		**1,593**	1,716
Equity			
Capital and reserves attributable to owners of the Parent Company		**1,593**	1,716

The financial statements were approved by the Board of Directors and authorised for issue on 1 March 2019 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 2018	Year ended 31 December 2017
Cash flows from operating activities			
Statutory profit		**273**	255
Adjustments for non-cash items:			
Income tax expense		**5**	17
Net finance expense		**33**	35
Share of post-tax profit of associates		**(7)**	(8)
Gain on sale of investment in Nephila		**(113)**	–
Revaluation of contingent consideration		**(31)**	15
Depreciation of leasehold improvements and equipment		**14**	12
Amortisation of acquired intangible assets		**83**	84
Amortisation of other intangibles		**10**	6
Share-based payment charge		**25**	19
Fund product based payment charge		**41**	40
Other non-cash movements		**5**	(5)
Return of Reservoir Trust plan assets on wind-up[1]		**19**	–
		357	470
Changes in working capital:			
Decrease/(increase) in receivables		**354**	(241)
Increase in other financial assets[2]		**(203)**	–
(Decrease)/increase in payables		**(140)**	41
Cash generated from operations		**368**	270
Interest paid		**(11)**	(10)
Income tax paid		**(35)**	(29)
Cash flows from operating activities		**322**	231
Cash flows from investing activities			
Purchase of leasehold improvements and equipment		**(16)**	(12)
Purchase of other intangibles		**(15)**	(12)
Payment of contingent consideration in relation to acquisitions		**(22)**	(11)
Acquisition of business and other acquired intangibles[3]		**(3)**	2
Interest received		**5**	3
Proceeds from sale of associates		**140**	2
Dividends received from associates		**8**	8
Cash flows from investing activities		**97**	(20)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**6**	7
Purchase of own shares by the Employee Trust and Partnerships		**(32)**	(19)
Share repurchase programme (including costs)		**(211)**	(92)
Dividends paid to Company shareholders		**(189)**	(158)
Cash flows from financing activities		**(426)**	(262)
Net decrease in cash		**(7)**	(51)
Cash at the beginning of the year		**379**	426
Effect of foreign exchange movements		**(2)**	4
Cash at year end[4]	12	**370**	379

Note:
1 Refer to details of the UK defined benefit scheme in Note 21 for details.
2 Includes $3 million of restricted net cash inflows (2017: $14 million restricted net cash outflows) relating to consolidated fund entities (Note 13.2).
3 The 2017 cash received relates to the cash acquired as part of the Aalto acquisition in 2017.
4 Includes $26 million (2017: $23 million) of restricted cash relating to consolidated fund entities (Note 13.2).

Group statement of changes in equity

$m	At 31 December 2018	At 31 December 2017
Share capital and capital reserves	1,226	1,220
Revaluation reserves and retained earnings	367	496
Capital and reserves attributable to owners of the Parent Company	**1,593**	**1,716**

Share capital and capital reserves

$m	Share capital	Share premium account	Capital redemption reserve	Merger reserve	Reorganisation reserve	Total
At 1 January 2018	56	26	7	499	632	1,220
Purchase and cancellation of own shares	(1)	–	1	–	–	–
Issue of ordinary shares: Partnership Plans and Sharesave	–	6	–	–	–	6
At 31 December 2018	55	32	8	499	632	1,226

Revaluation reserves and retained earnings

$m	Profit and loss account	Own shares held by Employee Trust	Treasury Shares	Cumulative translation adjustment	Cash flow hedge reserve[1]	Available-for-sale reserve	Total
At 1 January 2018	476	(50)	–	61	7	2	496
Adjustment for adoption of IFRS 9 (Note 1)	2	–	–	–	–	(2)	–
At 1 January 2018	478	(50)	–	61	7	–	496
Statutory profit	273	–	–	–	–	–	273
Other comprehensive expense:							
Revaluation of defined benefit pension scheme	15	–	–	–	–	–	15
Current tax credited on pension scheme	4	–	–	–	–	–	4
Deferred tax debited on pension scheme	(6)	–	–	–	–	–	(6)
Fair value losses on cash flow hedges[1]	–	–	–	–	(16)	–	(16)
Transfer cash flow hedge to Group income statement	–	–	–	–	(5)	–	(5)
Deferred tax credited on cash flow hedge movements	–	–	–	–	4	–	4
Currency translation difference	–	–	–	(7)	–	–	(7)
Share-based payments charge	19	–	–	–	–	–	19
Deferred tax debited on share-based payments	(1)	–	–	–	–	–	(1)
Purchase of own shares by the Employee Trust	–	(26)	–	–	–	–	(26)
Disposal of own shares by the Employee Trust	(14)	14	–	–	–	–	–
Share repurchases	(201)	–	–	–	–	–	(201)
Transfer to Treasury shares	121	–	(121)	–	–	–	–
Settlement of Aalto year one contingent consideration[2]	–	–	7	–	–	–	7
Dividends	(189)	–	–	–	–	–	(189)
At 31 December 2018	499	(62)	(114)	54	(10)	–	367

Note:
1 Details of the Group's hedging arrangements are provided in Note 12.
2 A portion of the Aalto year one contingent consideration payment was settled in Treasury Shares (Note 25).

The proposed final dividend would reduce shareholders' equity by $83 million (2017: $94 million) subsequent to the balance sheet date (Note 9). Further details of the Group's share capital and reserves are included in Note 20.

Group statement of changes in equity continued

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 Trust	Cumulative translation adjustment	Cash flow hedge reserve	Available-for-sale reserve	Total
At 1 January 2017 (as previously presented)	564	(43)	(39)	(15)	2	469
Prior period adjustment[1]	(83)	(8)	91	–	–	–
At 1 January 2017 (as restated)[1]	481	(51)	52	(15)	2	469
Statutory profit	255	–	–	–	–	255
Other comprehensive income:						
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[2]	–	–	–	18	–	18
Transfer cash flow hedge to Group income statement	–	–	–	9	–	9
Deferred tax credited on cash flow hedge movements	–	–	–	(5)	–	(5)
Currency translation difference (as restated)[1]	–	–	9	–	–	9
Share-based payments charge	13	–	–	–	–	13
Deferred tax credited on share-based payments	2	–	–	–	–	2
Purchase of own shares by the Employee Trust	–	(14)	–	–	–	(14)
Disposal of own shares by the Employee Trust	(15)	15	–	–	–	–
Share repurchases	(101)	–	–	–	–	(101)
Dividends	(158)	–	–	–	–	(158)
At 31 December 2017 (as restated)[1]	476	(50)	61	7	2	496

Note:
1 As a result of reassessing our application of the guidance for IAS 21 ‘The Effects of Changes in Foreign Exchange Rates’ with regards to the functional currency of the Group’s Employee Trust (Note 19.1), we consider that the Employee Trust functional currency has been USD since inception. Given the Employee Trust’s functional currency was previously assessed as Sterling, and thus retranslation of the Balance Sheet into the Group’s presentation currency (USD) was through the cumulative translation adjustment reserve, we have restated this retrospectively from 1 January 2017. As a result there is a reclassification restatement within brought forward reserves at 1 January 2017, and also a $4 million currency translation difference reclassification between the Own shares held by Employee Trust and Cumulative translation adjustment reserves in 2017, compared to that previously reported. This restatement has no impact on the Group’s income statement, earnings per share, net assets, total capital and reserves attributable to owners of the Parent Company or distributable reserves. The Group has not presented an additional restatement balance sheet for 1 January 2017 as there is no change to that previously reported.
2 Details of the Group’s hedging arrangements are provided in Note 12.

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 106. The impact, if any, of new accounting standards and amendments applicable to the year ended 31 December 2018 and accounting standards that are not yet effective are detailed on pages 106 to 107.

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 138 to 140. 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 2018. 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 13 funds for the year ended 31 December 2018 (2017: nine), 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 20 to 23.

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). Our key judgements on this are outlined above within 'Man's relationship with independent fund entities'.

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 60.

Going concern

Man's business activity is discussed on pages 1 to 43, together with the significant risk factors (pages 31 to 33). 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. Man's business typically has a good conversion of profits into cash flows which helps protect the business in stressed 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. The directors have also made a longer-term viability statement, as set out on page 28.

Notes to the Group financial statements continued

1. Basis of preparation continued

Financial reporting controls
Details of the Group's systems of internal control are included on page 29.

Significant accounting policies schedule

Policy	Note	Page
Revenue and rebates	2	107
Distribution costs and asset servicing	3	108
Taxation	7	110-111
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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).

The following accounting standards relevant to the Group's operations were effective for the first time in the year to 31 December 2018:

– 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 determine the appropriate classification. The Group has assessed its balance sheet assets in accordance with the new classification requirements. The Group has elected not to restate comparatives on initial application of IFRS 9, and accordingly the $3 million of investments held as available-for-sale (AFS) at 31 December 2017 have been classified on transition at 1 January 2018 as fair value through profit or loss as the AFS category no longer exists (Note 13). The accumulated gain in the AFS reserve of $2 million at 31 December 2017 has also been reclassified to retained earnings on transition, and any future revaluations will be recognised directly in the income statement (previously recorded in the AFS reserve in equity). There have been no other changes in the classification and measurement of 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 incurred loss model under IAS 39 required the Group to recognise impairment losses when there was objective evidence that an asset was 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. 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. We have assessed the lifetime expected credit losses for impairment of these assets, which are short-term in nature, by applying the Group's internal risk modelling weightings for both likelihood of loss and exposure to loss. Under the expected loss model there is no change to the carrying values of the Group's assets.

  We have elected to apply the new hedging requirements under IFRS 9 prospectively from 1 January 2018. These new requirements 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. 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, as provided in Note 12. The Group's IAS 39 hedge relationships in place at 31 December 2017 qualify as continuing hedging relationships under IFRS 9, and there is no material change to existing hedge effectiveness assessments as a result (Note 12). No additional hedge relationships have been designated due to the adoption of IFRS 9.

  The adoption of IFRS 9 from 1 January 2018 does not have a material impact on the Group's 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. Enhanced disclosure requirements are also introduced, as provided in Note 2.

  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. The Group has not identified any material changes to current revenue recognition principles, and therefore no adjustments have been made on transition.

  The adoption of IFRS 15 from 1 January 2018 does not have a material impact on the Group's reported results.

1. Basis of preparation continued

- The Annual Improvements to IFRS Standards 2014-2016 Cycle and Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions were adopted by Man in the current year, which have not had a significant impact.

The following standard is relevant to the Group's operations and has been issued by the IASB but is not yet mandatory:

- 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, primarily due to our property lease at Riverbank House and in particular as our sub-lease arrangements (Note 27.3) are not 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 decided to apply the modified retrospective approach where the ROU asset is measured as if IFRS 16 had been applied from lease commencement, applying a discount rate assessed at the date of transition, and currently estimates that the impact will be a gross-up of around \$250 million for ROU lease assets and associated deferred tax balances and around \$315 million (around £250 million) in relation to lease liabilities, with around \$65 million therefore deducted from brought-forward reserves.

  The majority of the Group's lease liabilities relate to Sterling denominated long-term lease arrangements, which creates an ongoing exposure to fluctuations in the USD to Sterling exchange rate for amounts which are not payable for many years in the future. The Group has elected not to hedge these long-term foreign exchange accounting exposures and therefore there may be large unrealised FX gains or losses in future years as a result of the revaluation of these liabilities.

  The Group also expects to elect to apply the practical expedient on transition to reclassify onerous lease balances at 31 December 2018 of around \$20 million (Note 16) against the ROU asset as an alternative to performing an impairment review, and to exclude short-term leases and leases with a remaining term of less than one year at transition date. Furthermore, we expect that the derecognition of deferred rent and lease incentive balances at 31 December 2018 under the current IAS 17 requirements will partially offset the reduction in brought-forward reserves by around \$40 million. The total brought forward reserves impact on transition date at 1 January 2019 is therefore expected to be around \$25 million. This reduction in reserves will be offset in future years by a lower Group income statement charge over the remaining life of the leases (the total charge over the life of each lease is the same as under the current IAS 17 requirements), although in the five years following initial application of IFRS16 we expect there to be an increased Group income statement charge of up to \$5 million each year which will subsequently shift to a decrease in the comparable charge over time.

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 and receivable within one month. Management fees net of rebates, which include all non-performance related fees, are recognised in the year in which the services are provided and do not include any other performance obligations.

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 strategies, exceeding high water mark. Once crystallised, performance fees typically 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.

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.

At 31 December 2018, Man has contractual performance obligations that are not yet satisfied due to the notice periods required to terminate investment management agreements. Fee income for the performance of these obligations after the year end can fluctuate due to factors outside of the Group's control, and therefore management cannot estimate the future fees allocated to these. Fees relating to these investment management agreements will be recognised as the performance obligations are satisfied.

Analysis of FUM, margins and performance is provided in the Chief Financial Officer's review on pages 20 to 22.

Notes to the Group financial statements continued

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 average FUM largely as a result of the continued mix shift towards institutional assets.

Asset servicing includes custodial, valuation, fund accounting, registrar, research and administration 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 costs of these services vary based on transaction volumes, the number of funds, and fund NAVs. The increase in asset servicing costs compared to 2017 is due to the inclusion of MiFID II related research and administration costs in 2018.

4. Compensation

$m	**Year ended 31 December 2018**	Year ended 31 December 2017
Salaries	**153**	148
Variable cash compensation	**175**	220
Share-based payment charge	**25**	19
Fund product based payment charge	**41**	40
Social security costs	**32**	38
Pension costs	**10**	9
Restructuring costs (adjusting item per page 143)	**1**	4
Total compensation costs	**437**	478

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 decreased by 8% compared to 2017, largely due to the decrease in performance fee revenues year on year, as reflected in decreased variable cash compensation and associated social security costs.
The compensation ratio, as outlined on page 145, has increased to 48% from 44% in 2017 primarily as a result of the lower level of performance fee revenue.

Salaries have increased from prior year largely as a result of the 5% increase in average headcount due to investment in our investment management and client services capabilities, partially offset by a more favourable hedged Sterling to USD rate in 2018 (1.29) compared to the hedged rate in 2017 (1.36), which had a $6 million impact compared to prior year.

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).

The $1 million of restructuring costs in 2018 relate to our Swiss pension obligation (Note 21) as a result of the restructuring plan implemented in late 2016, for which the Group also incurred $4 million of termination expenses 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 2018	Year ended 31 December 2017
Investment management	**490**	450
Sales and marketing	**186**	183
Support functions	**700**	680
Average headcount	**1,376**	1,313

5. Other costs

$m	Year ended 31 December 2018	Year ended 31 December 2017
Occupancy	**27**	33
Technology and communications	**26**	28
Temporary staff, recruitment, consultancy and managed services	**24**	20
Legal fees and other professional fees	**13**	17
Benefits	**14**	13
Travel and entertainment	**13**	11
Audit, accountancy, actuarial and tax fees	**8**	7
Insurance	**4**	4
Marketing and sponsorship	**6**	5
Other cash costs, including irrecoverable VAT	**11**	10
Restructuring (adjusting item per page 143)	**5**	7
Total other costs before depreciation and amortisation	**151**	155
Depreciation and amortisation	**24**	18
Total other costs	**175**	173

Other costs, before depreciation and amortisation, have decreased to $151 million from $155 million in 2017, which largely reflects lower occupancy costs following the centralisation of our London resources into one location and a $4 million impact due to the more favourable hedged Sterling to USD rate in 2018, partially offset by an increase in temporary staff driven by the MiFID II implementation.

Other restructuring costs of $5 million in 2018 largely relate to $3 million of professional fees incurred in relation to the Group's proposed 2019 corporate reorganisation, as well as $2 million in respect of reassessment of our onerous property lease provision. Other restructuring costs of $7 million in 2017 largely related to onerous property leases arising as a result of finalisation of the 2016 restructuring plan following the centralisation of our London offices.

Depreciation and amortisation have increased by $6 million in 2018 compared to 2017 largely as a result of higher levels of capital expenditure on software development projects across our operating platforms in both 2017 and 2018.

Auditors' remuneration, including advisory and professional services, is disclosed in the Corporate Governance section on page 62.

6. Finance expense and finance income

$m	Year ended 31 December 2018	Year ended 31 December 2017
Finance expense:		
Interest payable on borrowings (Note 12)	**(9)**	(9)
Revolving credit facility costs and other (Note 12)	**(3)**	(3)
Unwind of contingent consideration discount (adjusting item per page 143)	**(28)**	(26)
Total finance expense	**(40)**	(38)
Finance income:		
Interest on cash deposits and US Treasury bills	**7**	3
Total finance income	**7**	3

The increase in finance income is due to higher interest rates as well as a slight increase in the average cash balance in 2018 compared to 2017.

Notes to the Group financial statements continued

7. Taxation

$m	Year ended 31 December 2018	Year ended 31 December 2017
Analysis of tax expense/(credit):		
Current tax:		
UK corporation tax on profits/(losses)	**29**	39
Foreign tax	**5**	5
Adjustments to tax charge in respect of previous years	**1**	(6)
Total current tax	**35**	38
Deferred tax:		
Origination and reversal of temporary differences	**(10)**	(4)
Recognition of US deferred tax asset (adjusting item per page 143)	**(20)**	(17)
Total deferred tax	**(30)**	(21)
Total tax expense/(credit)	**5**	17

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 income in the period 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 111.

The current effective tax rate of 2% (2017: 6%) differs from the applicable underlying statutory tax rates principally as a result of the gain on disposal of the Group's equity investment in Nephila (Note 17) of $113 million, which is not subject to tax under UK tax legislation, and the incremental recognition of the US deferred tax assets of $20 million (2017: $17 million). 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 in tax regulation in the territories in which we operate, the mix of income and expenses earned and incurred by jurisdiction and the timing of the recognition of available deferred tax assets.

The current tax liabilities of $10 million (2017: $21 million) on the Group balance sheet, comprise a gross current tax liability of $15 million (2017: $24 million) net of a current tax asset of $5 million (2017: $3 million). The tax on Man's profit 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 2018	Year ended 31 December 2017
Profit before tax	**278**	272
Theoretical tax expense at UK rate: 19% (2017: 19.25%)	**53**	52
Effect of:		
Overseas tax rates compared to UK	**(8)**	(10)
Adjustments to tax charge in respect of previous periods	**1**	(9)
Disposal of investment in Nephila (Note 17)	**(22)**	–
Recognition of US deferred tax asset	**(20)**	(17)
Other	**1**	1
Tax expense	**5**	17

The effect of overseas tax rates compared to the UK includes the impact of the 0% effective tax rate of our US business.

In 2017, adjustments in respect of previous periods primarily related to a $7 million credit mainly due to reassessment of tax exposures globally.

7. Taxation continued

Movements in deferred tax are as follows:

$m	Year ended 31 December 2018	Year ended 31 December 2017
Deferred tax liability		
At 1 January	**(48)**	(47)
Acquisition of Aalto balance sheet	**–**	(2)
Credit to the Group income statement	**15**	1
Deferred tax liability at 31 December	**(33)**	(48)
Deferred tax asset		
At 1 January	**81**	63
Credit to the Group income statement	**15**	20
Charge to other comprehensive income and equity	**(3)**	(2)
Deferred tax asset at 31 December	**93**	81

The deferred tax liability of $33 million (2017: $48 million) largely relates to deferred tax arising on acquired intangible assets.

The deferred tax asset comprises:

$m	31 December 2018	31 December 2017
US tax assets	**62**	42
Defined benefit pension schemes	**6**	12
Employee share schemes	**11**	14
Tax allowances over depreciation	**8**	9
Other	**6**	4
Deferred tax asset	**93**	81

The deferred tax asset income statement credit of $15 million (2017: $20 million) predominantly relates to the recognition of US deferred tax assets of $20 million (2017: $17 million). The debit to other comprehensive income and equity of $3 million (2017: $2 million) relates to movements in the pension accrual, unrealised cash flow hedge balances and employee share scheme balances.

The Group has accumulated deferred tax assets in the US of $108 million (2017: $124 million). These deferred tax assets principally comprise accumulated operating losses from existing operations of $53 million (2017: $61 million) and future amortisation of goodwill and intangibles assets generated from acquisitions of $45 million (2017: $48 million) that will be available to offset future taxable profits in the US. From the maximum available deferred tax assets of $108 million (2017: $124 million), a deferred tax asset of $62 million has been recognised on the Group balance sheet (2017: $42 million), representing amounts which can be offset against probable future taxable profits. Probable future taxable profits are considered to be forecast profits for the next three years only, consistent with the Group's business planning horizon. The increase of $20 million from that recognised at 31 December 2017 represents projected year on year growth in our US business. As a result of the recognised US deferred tax assets and the remaining unrecognised available US deferred tax assets of $46 million (2017: $82 million), Man does not expect to pay federal tax on any profits it may earn in the US for several years.

The gross amount of losses for which a deferred tax asset has not been recognised is nil (2017: $48 million). For US tax purposes, the losses will expire over a period of 13 to 18 years.

Notes to the Group financial statements continued

8. Earnings per ordinary share (EPS)

The calculation of basic EPS is based on post-tax profit of $273 million (2017: $255 million), and ordinary shares of 1,578,826,775 (2017: 1,640,137,392), being the weighted average number of ordinary shares in issue during the period after excluding the shares owned by the Man Employee Trust and Treasury Shares. 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 1,602,842,248 (2017: 1,659,830,089).

The details of movements in the number of shares used in the basic and dilutive EPS calculation are provided below.

	Year ended 31 December 2018		Year ended 31 December 2017	
	Total number (million)	**Weighted average (million)**	Total number (million)	Weighted average (million)
Number of shares at beginning of year	**1,643.6**	**1,643.6**	1,679.9	1,679.9
Issues of shares	**2.4**	**1.9**	10.1	8.4
Repurchase of own shares	**(35.9)**	**(28.6)**	(46.4)	(28.3)
Number of shares at period end	**1,610.1**	**1,616.9**	1,643.6	1,660.0
Shares held in Treasury reserve	**(54.2)**	**(14.3)**	–	–
Shares owned by Employee Trust	**(25.2)**	**(23.8)**	(20.3)	(19.9)
Basic number of shares	**1,530.7**	**1,578.8**	1,623.3	1,640.1
Share awards under incentive schemes		**22.5**		17.8
Employee share options		**1.5**		1.9
Diluted number of shares		**1,602.8**		1,659.8

The basic and diluted earnings per share figures are provided below.

	Year ended 31 December 2018	Year ended 31 December 2017
Basic and diluted post-tax earnings ($m)	**273**	255
Basic earnings per share (cents)	**17.3**	15.5
Diluted earnings per share (cents)	**17.0**	15.3

9. Dividends

$m	**Year ended 31 December 2018**	Year ended 31 December 2017
Ordinary shares		
Final dividend paid for the year to 31 December 2017 – 5.8 cents (2016: 4.5 cents)	**90**	77
Interim dividend paid for the six months to 30 June 2018 – 6.4 cents (2017: 5.0 cents)	**99**	81
Dividends paid	**189**	158
Proposed final dividend for the year to 31 December 2018 – 5.4 cents (2017: 5.8 cents)	**83**	94

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 26.

10. Goodwill and acquired intangibles

$m	Year ended 31 December 2018 Goodwill	Investment management agreements	Distribution channels	Brand names	Total	Year ended 31 December 2017 Goodwill	Investment management agreements	Distribution channels	Brand names	Total
Net book value at beginning of the year	**648**	**340**	**24**	**12**	**1,024**	588	405	16	15	1,024
Purchases/acquisitions[1]	**–**	**3**	**–**	**–**	**3**	55	10	14	–	79
Amortisation	**–**	**(75)**	**(5)**	**(3)**	**(83)**	–	(75)	(6)	(3)	(84)
Currency translation	**(6)**	**–**	**–**	**–**	**(6)**	5	–	–	–	5
Net book value at year end	**642**	**268**	**19**	**9**	**938**	648	340	24	12	1,024
Allocated to cash generating units as follows:										
AHL	**453**	**1**	**–**	**–**	**454**	459	–	–	–	459
GLG	**–**	**141**	**9**	**6**	**156**	–	188	12	8	208
FRM	**–**	**14**	**–**	**–**	**14**	–	22	–	1	23
Numeric	**134**	**104**	**–**	**3**	**241**	134	121	–	3	258
GPM	**55**	**8**	**10**	**–**	**73**	55	9	12	–	76

Notes:
1 Purchases/acquisitions in 2018 relate to the purchase of investment management agreements in relation to strategic bond strategies. The 2017 purchases/acquisitions relates to the acquisition of the Aalto business in 2017.

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 eight and 12 years (distribution channels).

Amortisation of acquired intangible assets of $83 million (2017: $84 million) primarily relates to the investment management agreements recognised on the acquisition of GLG and Numeric.

Allocation of goodwill to cash generating units
For impairment review purposes, the Group has identified five cash generating units (CGUs): AHL, GLG, FRM, Numeric and GPM.

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 the 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.

The value in use calculations at 31 December 2018 use cash flow projections based on the Board approved financial plan for the year to 31 December 2019 and a further two years of projections (2020 and 2021), 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 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.

Notes to the Group financial statements continued

10. Goodwill and acquired intangibles continued

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 2021 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 2018. 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%	7%	8%	34%
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%, 22% and 26% for each of the AHL, GLG, FRM, Numeric and GPM CGUs, respectively.
3 The implied terminal growth rates are 2%, 3%, -10%, 3% and 7% for each of the AHL, GLG, FRM, Numeric and GPM CGUs, respectively.

The Group has considered the impact of the potential exit of the United Kingdom from the European Union, including various reasonably possible Brexit scenarios, and currently does not expect this to have a material impact on the value in use calculations of the Group at 31 December 2018. Further discussion on Brexit is provided in the Market environment (page 10) and Risk management (page 27) sections of the Strategic report.

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 2018 indicates a value of $2.7 billion, with around $2.2 billion of headroom over the carrying value of the AHL business. Therefore, no impairment charge is deemed necessary at 31 December 2018 (2017: nil). The valuation at 31 December 2018 is around $0.3 billion lower than the value in use calculation at 31 December 2017, primarily due to lower than forecast performance in 2018.

			Discount rates (post-tax)		Multiples (post-tax)	
Sensitivity analysis:	Compound average annualised growth in FUM		Management fee/ performance fee		Management fee/ performance fee	
Key assumption stressed to:	13%	(12%)[1]	10%/16%	12%/18%	14.0x/6.5x	12.0x/4.5x
Modelled headroom/(impairment) ($m)	2,550	–	2,286[2]	2,162[2]	2,480[3]	1,966[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 $62 million.
3 An increase/decrease in the value in use calculation of $257 million.

GLG cash generating unit

The GLG value in use calculation at 31 December 2018 indicates a value of $320 million, with around $130 million of headroom over the carrying value of the GLG business. Therefore, no impairment charge is deemed necessary at 31 December 2018. The valuation at 31 December 2018 is around $70 million lower than the value in use calculation at 31 December 2017 largely due to lower than forecast performance in 2018. Amortisation of acquired intangibles lowered the carrying value by $56 million during the year.

10. Goodwill and acquired intangibles continued

Sensitivity analysis:	Compound average annualised growth in FUM		Discount rates (post-tax) Management fee/ performance fee		Multiples (post-tax) Management fee/ performance fee	
Key assumption stressed to:	6%	(1%)[1]	10%/16%	12%/18%	14.0x/6.5x	12.0x/4.5x
Modelled headroom/(impairment) ($m)	188	–	134[2]	118[2]	154[3]	97[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 $8 million.
3 An increase/decrease in the value in use calculation of $28 million.

FRM cash generating unit

The FRM value in use calculation at 31 December 2018 indicates a value of $33 million, with $12 million of headroom over the carrying value of the FRM business. Therefore, no impairment charge is deemed necessary at 31 December 2018. The valuation at 31 December 2018 is similar to the value in use calculation at 31 December 2017. Headroom has increased slightly due to amortisation of acquired intangibles of $6 million during the year.

Sensitivity analysis:	Compound average annualised growth in FUM		Discount rates (post-tax) Management fee/ performance fee		Multiples (post-tax) Management fee/ performance fee	
Key assumption stressed to:	9%	4%[1]	10%/16%	12%/18%	6.9x/4.9x	4.9x/2.9x
Modelled headroom/(impairment) ($m)	17	–	13[2]	11[2]	15[3]	8[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 $1 million.
3 An increase/decrease in the value in use calculation of $4 million.

Numeric cash generating unit

The Numeric value in use calculation at 31 December 2018 indicates a value of around $700 million, with around $450 million of headroom over the carrying value of the Numeric business. Therefore, no impairment charge is deemed necessary at 31 December 2018 (2017: nil). The valuation at 31 December 2018 is around $100 million higher than the value in use calculation at 31 December 2017, primarily as a result of a reduction in forecast operating costs, partially offset by lower than forecast performance in 2018.

Sensitivity analysis:	Compound average annualised growth in FUM		Discount rates (post-tax) Management fee/ performance fee		Multiples (post-tax) Management fee/ performance fee	
Key assumption stressed to:	10%	(22%)[1]	10%/16%	12%/18%	14.0x/6.5x	12.0x/4.5x
Modelled headroom/(impairment) ($m)	509	–	469[2]	435[2]	499[3]	403[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 $17 million.
3 An increase/decrease in the value in use calculation of $48 million.

GPM cash generating unit

The GPM value in use calculation at 31 December 2018 indicates a value of around $90 million, with around $15 million of headroom over the carrying value of the GPM business. Therefore, no impairment charge is deemed necessary at 31 December 2018. The valuation at 31 December 2018 is around $20 million lower than the value in use calculation at 31 December 2017, primarily as a result of timing differences in forecast fund launches.

Sensitivity analysis:	Compound average annualised growth in FUM		Discount rates (post-tax) Management fee/ performance fee		Multiples (post-tax) Management fee/ performance fee	
Key assumption stressed to:	36%	30%[1]	14%/20%	16%/22%	14.0x/6.5x	12.0x/4.5x
Modelled headroom/(impairment) ($m)	20	–	16[2]	12[2]	19[3]	9[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 $2 million.
3 An increase/decrease in the value in use calculation of $5 million.

Notes to the Group financial statements continued

11. Other intangibles

$m	Year ended 31 December 2018	Year ended 31 December 2017
Net book value beginning of the year	**23**	17
Additions	**16**	14
Disposals	**(3)**	(2)
Amortisation	**(10)**	(6)
Net book value at year end	**26**	23

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 are subject to regular impairment reviews. Capitalised computer software is amortised on a straight-line basis over its estimated useful life (three years), with amortisation expense included within Other costs in the Group income statement. Additions relate to the continued investment in software across Man's operating platforms.

12. Cash, liquidity and borrowings

	31 December 2018			31 December 2017		
$m	Total	Less than 1 year	Greater than 2 years	Total	Less than 1 year	Greater than 3 years
Cash and cash equivalents[1]	**344**	**344**	**–**	356	356	–
Undrawn committed revolving loan facility	**500**	**–**	**500**	500	–	500
Total liquidity	**844**	**344**	**500**	856	356	500
Borrowings: 2024 fixed rate reset callable guaranteed subordinated notes	**150**	**–**	**150**	150	–	150

Note:
1 Excludes $26 million (2017: $23 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 (2017: $175 million), short-term deposits of $169 million (2017: $181 million) and nil US Treasury bills (2017: nil). Cash ring-fenced for regulated entities totalled $36 million (2017: $37 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 2018, the $344 million cash balance (excluding US Treasury bills and cash held by consolidated fund entities) is held with 19 banks (2017: $356 million with 20 banks). The single largest counterparty bank exposure of $91 million is held with an A+ rated bank (2017: $84 million with an A+ rated bank). At 31 December 2018, balances with banks in the AA ratings band aggregate to $85 million (2017: $97 million) and balances with banks in the A ratings band aggregate to $259 million (2017: $239 million).

The $500 million syndicated revolving loan facility was undrawn at 31 December 2018 (undrawn at 31 December 2017). 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.

12. Cash, liquidity and borrowings continued

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 2018 a 50bp increase/decrease in these rates, with all other variables held constant, would have resulted in a $1 million increase/decrease (2017: $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 (2017: $1 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.

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. The Group's current risk management objective is to determine a foreign exchange rate at which future foreign currency costs are ultimately realised, thereby providing increased certainty around the future USD costs recognised in the Group Income Statement. 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, within compensation and other costs (as outlined in Note 4 and Note 5). 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 2018 is a liability of $13 million (2017: asset of $9 million).

Notes to the Group financial statements continued

13. Investments in fund products and other investments

$m	Financial assets at fair value through profit or loss[1]	Loans and receivables	Total investments in fund products and other investments	Net non-current assets held for sale	Total investments
	31 December 2018				
Loans to fund products	**–**	**9**	**9**	**–**	**9**
Investments in fund products	**401**	**–**	**401**	**39**	**440**
Other investments	**3**	**–**	**3**	**–**	**3**
Investments in line-by-line consolidated funds	**357**	**–**	**357**	**–**	**357**
	761	**9**	**770**	**39**	**809**

$m	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets[1]	Total investments in fund products and other investments	Net non-current assets held for sale	Total investments
	31 December 2017					
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

Note:
1 Available-for-sale financial assets of $3 million have been reclassified to financial assets at fair value through profit or loss due to the adoption of IFRS 9 from 1 January 2018, as detailed in Note 1.

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 2018**	31 December 2017
Investments in fund products	13.1	**401**	249
Less fund investments for deferred compensation arrangements	13.1	**(87)**	(76)
Consolidated net investments in funds – held for sale	13.2	**39**	79
Consolidated net investments in funds – line-by-line consolidation	13.2	**300**	203
Loans to funds	13.3	**9**	25
Seeding investments portfolio		**662**	480

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 losses due to movements in fair value of $11 million for the year ended 31 December 2018 (2017: $58 million gain) recognised through income or (losses)/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 if 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 $105 million (2017: $79 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 $25 million at 31 December 2018 (2017: $29 million).

Fund investments for deferred compensation arrangements

At 31 December 2018, investments in fund products included $87 million (2017: $76 million) of fund products related to deferred compensation arrangements (as detailed in Note 19). The associated fund product investments are held to offset any change in deferred compensation over 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 (losses)/gains on investments and other financial instruments in the Group income statement.

13. Investments in fund products and other investments continued

13.2. Consolidation of investments in funds

Seed capital invested into funds 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 2018, 13 (2017: nine) 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 2018	31 December 2017
Non-current assets held for sale	**39**	145
Non-current liabilities held for sale	**–**	(66)
Investments in fund products held for sale	**39**	79

All seed investments held at 31 December 2018 are 100% owned and therefore there is no third-party interest included within non-current liabilities held for sale.

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 at 31 December 2017 have been consolidated on a line-by-line basis for the year ended 31 December 2018 (2017: three held for sale funds at 31 December 2016).

Line-by-line consolidation

The investments relating to the ten (2017: five) 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 2018	31 December 2017
Balance sheet		
Cash and cash equivalents	**26**	23
Transferable securities[1]	**357**	452
Fees and other receivables	**21**	1
Trade and other payables	**(4)**	(174)
Net assets of line-by-line consolidated fund entities	**400**	302
Third-party interest in consolidated funds	**(100)**	(99)
Net investment held by Man	**300**	203
Income statement		
Net (losses)/gains on investments[2]	**(18)**	57
Management fee expenses[3]	**(2)**	(9)
Performance fee expenses[3]	**(1)**	(5)
Other costs[4]	**(2)**	(2)
Net (losses)/gains of line-by-line consolidated fund entities	**(23)**	41
Third-party share of losses/(gains) relating to interests in consolidated funds	**7**	(14)
(Losses)/gains attributable to net investment held by Man	**(16)**	27

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 $1 million (2017: $3 million) in relation to the third-party share of these investments and therefore represents externally generated management fees. The performance fee elimination includes $1 million (2017: $2 million) in relation to third-party share which represents performance fees generated externally.
4 Includes nil (2017: $1 million) in relation to the third-party share of these investments and therefore represents costs incurred externally.

Notes to the Group financial statements continued

13. Investments in fund products and other investments continued

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 $13 million (2017: $28 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 2018 is $4 million (2017: $12 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 12 'Disclosure of Interests in Other Entities'.

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.

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 $574 million for the year ended 31 December 2018 (2017: $578 million). Man's interest in and exposure to unconsolidated structured entities is as follows:

31 December 2018	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	**28.9**	**0.1**	**28.8**	**135**	**1.27**	**153**	**87**	**–**	**240**
Total return	**22.5**	**–**	**22.5**	**58**	**0.57**	**156**	**24**	**–**	**180**
Multi-manager solutions	**13.5**	**5.2**	**8.3**	**87**	**0.36**	**2**	**12**	**–**	**14**
Long only									
Systematic	**24.7**	**0.2**	**24.5**	**116**	**0.36**	**1**	**31**	**–**	**32**
Discretionary	**18.8**	**0.1**	**18.7**	**50**	**0.69**	**77**	**21**	**–**	**98**
Guaranteed	**0.1**	**–**	**0.1**	**7**	**5.52**	**–**	**1**	**9**	**10**
Total	**108.5**	**5.6**	**102.9**	**453**		**389**	**176**	**9**	**574**

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

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 category weighted average (see page 22). 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 and emerging risks on pages 31 to 33.

14. Fee and other receivables

$m	31 December 2018	31 December 2017
Fee receivables	**36**	53
Accrued income	**144**	267
Prepayments	**13**	16
Derivative financial instruments	**16**	9
Other receivables	**98**	146
	307	491

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, and under the expected loss model of IFRS 9 (Note 1) there is no impairment at 31 December 2018 (2017: nil). The decrease in accrued income in 2018 primarily relates to the decrease in performance fee income which crystallised at 31 December 2018. Performance fees receivable at year end are $43 million (2017: $196 million).

Details of derivatives used to cash flow hedge foreign exchange risk are included in Note 12. Derivative financial instruments, which consist primarily of market risk hedges on some of our seeding positions and foreign exchange contracts, are measured at fair value through profit or loss. All derivatives are held with external banks with ratings of BBB+ (2017: BBB+) or higher and mature within one year. During the year, there were $3 million net realised and unrealised gains arising from foreign exchange hedges (2017: $1 million losses), and the notional value of foreign exchange derivative financial assets held at 31 December 2018 is $84 million (2017: $262 million). During the year, there were $22 million net realised and unrealised gains arising from our market risk hedges (2017: $25 million losses), and the notional value of market risk derivative financial assets held at 31 December 2018 is $220 million (2017: $15 million).

Other receivables principally include balances relating to the Open Ended Investment Collective (OEIC) funds business 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 2018, the amount included in other receivables is $37 million (2017: $38 million). The unsettled fund payable is recorded in trade and other payables (Note 15). At 31 December 2018, $7 million (2017: $8 million) of other receivables are expected to be settled after 12 months.

15. Trade and other payables

$m	31 December 2018	31 December 2017
Accruals	**302**	334
Trade payables	**2**	3
Contingent consideration	**212**	243
Derivative financial instruments	**15**	10
Other payables	**170**	253
	701	843

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 2018 announced share repurchase liability of $63 million (2017: $74 million), as detailed in Note 20, payables relating to the OEIC funds business of $35 million (2017: $35 million) and servicing fees payable to distributors.

Details of derivatives used to cash flow hedge foreign exchange risk are included in Note 12. The notional value of foreign exchange derivative financial liabilities at 31 December 2018 is $508 million (2017: $388 million), and the notional value of market risk derivative financial assets is $82 million (2017: $160 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 a December 2017 compulsory redemption of a large seeding position for 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 2018 are balances of $40 million (2017: $213 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.

Notes to the Group financial statements continued

16. Provisions

$m	Onerous property lease contracts	Other	Total
At 1 January 2018	**30**	**4**	**34**
Charged/(credited) to the income statement:			
Charge in the year	**2**	**–**	**2**
Unused amounts reversed	**–**	**–**	**–**
Exchange difference	**(1)**	**–**	**(1)**
Used during the year/settlements	**(9)**	**–**	**(9)**
At 31 December 2018	**22**	**4**	**26**

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.

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 three to 17 years, with all onerous property lease contracts therefore non-current.

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.

Man's investments in associates are as follows:

	Year ended 31 December 2018	Year ended 31 December 2017		
$m	**Nephila Holdings Ltd**	Nephila Holdings Ltd	Other	Total
At beginning of the year	**29**	30	1	31
Share of post-tax profit/(loss)	**7**	7	1	8
Dividends received	**(8)**	(8)	–	(8)
Sale of investment in associate	**(28)**	–	(2)	(2)
At year end	**–**	29	–	29

In November 2018 the Group sold its investment in Nephila, recognising a gain on sale of $113 million. Man has not provided any financial support to associates during the year to 31 December 2018 (2017: nil).

Commission income relating to sales of Nephila Holdings Limited products totalled $4 million for the year ended 31 December 2017, an arrangement which ceased during 2017.

18. Leasehold improvements and equipment

	Year ended 31 December 2018			Year ended 31 December 2017		
$m	Leasehold improvements	Equipment	Total	Leasehold improvements	Equipment	Total
Net book value at beginning of the year	28	16	44	29	15	44
Additions	8	9	17	5	7	12
Disposals	–	(1)	(1)	–	–	–
Depreciation expense	(7)	(7)	(14)	(6)	(6)	(12)
Net book value at year end	29	17	46	28	16	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, $66 million (2017: $59 million) relating to share-based payment and deferred fund product plans is included within compensation costs (Note 4), consisting of share-based payments of $25 million (2017: $19 million) and deferred fund product plans of $41 million (2017: $40 million). The unamortised deferred compensation at year end is $64 million (2017: $51 million) and has a weighted average remaining vesting period of 2.0 years (2017: 2.2 years).

19.1 Employee Trust

The Employee Trust has the obligation to deliver shares, options and fund product based payments which have been granted to employees. Man contributed funds of $42 million in 2018 (2017: $22 million) in order for the Trust to meet its current period obligations.

The Employee Trust is fully consolidated into Man and shares held are treated as treasury shares for EPS purposes (Note 8). The Employee Trust is controlled by independent trustees and their assets are held separately from those of Man. At 31 December 2018, the net assets of the Employee Trust amounted to $99 million (2017: $73 million). These assets include 25,154,953 (2017: 20,272,423) ordinary shares in the Company, $10 million notional value options over Man shares (2017: $10 million), and $36 million of fund units (2017: $25 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 the Employee Trust waived all of the interim dividend for the year ended 31 December 2018 on each of the 24,431,128 ordinary shares registered in its name at the relevant date for eligibility for the interim dividend (2017 interim dividend: waived on all 19,455,899 shares) and all of the final dividend for the year ended 31 December 2017 on each of 23,224,517 of the ordinary shares registered in its name at the relevant date for eligibility for the final dividend (2016 final dividend: waived on all 19,278,617 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 assumptions 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.

Notes to the Group financial statements continued

19. Deferred compensation arrangements continued

19.2 Share-based payments continued

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	11/09/2018	12/09/2017
Weighted average share price at grant date ($)[1]	2.2	2.2
Weighted average exercise price at grant date ($)[2]	1.8	1.7
Share options granted in the period	1,401,989	1,899,586
Vesting period (years)	3–5	3–5
Expected share price volatility (%)	45	45
Dividend yield (%)	6	6
Risk-free rate (%)	0.9	0.3
Expected option life (years)	3.2	3.3
Number of options assumed to vest	1,067,819	1,447,617
Average fair value per option granted ($)	0.6	0.5

Notes:
1 Sterling share price each year of £1.69 and £1.67, respectively.
2 Sterling exercise price each year of £1.37 and £1.32, 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 UK 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 2018		Year ended 31 December 2017	
	Number	Weighted average exercise price[1] ($ per share)	Number	Weighted average exercise price[1] ($ per share)
Share options outstanding at beginning of the year	**44,458,781**	**3.5**	44,997,029	3.6
Granted	**1,401,989**	**1.7**	1,899,586	1.8
Forfeited	**(941,436)**	**1.4**	(780,814)	1.3
Expired	**(30,000)**	**1.1**	(9,678)	2.8
Exercised	**(398,946)**	**1.5**	(1,647,342)	1.1
Share options outstanding at year end	**44,490,388**	**3.5**	44,458,781	3.7
Share options exercisable at year end	**38,885,437**	**3.8**	38,924,702	4.0

Notes:
1 Calculated at 31 December exchange rates each year.

The share options outstanding at year end have a weighted average exercise price and expected remaining life as follows:

	31 December 2018			31 December 2017		
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
0.00–3.00	**5,700,762**	**1.4**	**2.2**	5,669,155	1.4	2.6
3.01–5.00	**38,789,626**	**3.8**	**2.0**	38,789,626	4.0	3.0
	44,490,388	**3.5**	**2.0**	44,458,781	3.7	2.9

19. Deferred compensation arrangements continued

19.2 Share-based payments continued

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	1/3/2018 – 23/10/2018	1/3/2017 – 20/12/2017
Share awards granted in the year	12,325,515	14,115,446
Weighted average fair value per share award granted ($)	2.4	1.8

Deferred Executive Incentive Plan

Grant dates	12/3/2018	13/3/2017
Share awards granted in the year	2,009,891	904,273
Weighted average fair value per share award granted ($)	2.4	1.8

Movements in the number of share awards outstanding are as follows:

	Year ended 31 December 2018 Number	Year ended 31 December 2017 Number
Share awards outstanding at beginning of the year	**28,637,911**	22,523,365
Granted	**14,335,406**	15,019,719
Forfeited	**(1,262,014)**	(677,853)
Exercised	**(7,522,780)**	(8,227,320)
Share awards outstanding at year end	**34,188,523**	28,637,911
Share awards exercisable at year end	**107,999**	447,775

20. Capital management

Details of the Group's capital management and dividend policy are provided within the Chief Financial Officer's review on page 26.

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 Trust (Note 19) and Treasury Shares 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 (2017: $3^3/_7$ 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 2018 $211 million (2017: $92 million) of shares were repurchased at an average price of 169.5 pence (2017: 154.6 pence), buying back 93.5 million shares (2017: 46.4 million shares), which had an accretive impact on EPS (Note 8) of 2.8% (2017: 1.7%). This relates to the completion of the remaining $74 million of the share repurchase announced in October 2017, the $100 million announced in April 2018, and the partial completion of $37 million of the anticipated $100 million share repurchase announced in October 2018. As at 28 February 2019, Man Group had an unexpired authority to repurchase up to 93,699,317 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 154,747,655 of its ordinary shares, representing 10% of the issued ordinary share capital, excluding treasury shares, at 28 February 2019.

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.

Notes to the Group financial statements continued

20. Capital management continued

Issued and fully paid share capital

	Year ended 31 December 2018			Year ended 31 December 2017		
	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	**1,643,593,289**	**50,000**	**56**	1,679,920,894	50,000	58
Purchase and cancellation of own shares	**(35,892,738)**	**–**	**(1)**	(46,427,274)	–	(2)
Issue of ordinary shares: Partnership Plans and Sharesave	**2,441,762**	**–**	**–**	4,448,807	–	–
Issue of shares relating to acquisition of Aalto (Note 10)	**–**	**–**	**–**	5,650,862	–	–
At 31 December	**1,610,142,313**	**50,000**	**55**	1,643,593,289	50,000	56

21. Pension

Man operates 12 (2017: 12) defined contribution plans and two (2017: 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 $9 million for the year to 31 December 2018 (2017: $8 million) and are recognised as pension costs within compensation 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 2018, the UK Plan comprised 94% (31 December 2017: 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.

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 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 was treated as an asset of the UK Plan, until its wind-up in 2018, as: (1) the Reservoir Trust was legally separate from Man and existed solely to fund employee benefits; (2) the assets of the Reservoir Trust were passed to the UK Plan in the event of any default or insolvency situation, such that they were not available to Man's creditors; and (3) the funding position of the UK Plan was in deficit.

As part of the latest funding valuation process, a £52.5 million payment from the Reservoir Trust was paid into the UK Plan in March 2018. A smaller £3.6 million balancing payment was also paid into the UK Plan in early July 2018. The Reservoir Trust has now been wound up with $19 million of remaining assets refunded to the Group during 2018.

No other cash contributions were made to the UK Plan in the year to 31 December 2018. The next actuarial valuation has an effective date of 31 December 2020. 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.

21. Pension continued

For the Swiss Plan, 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. Since the employer contribution reserve is greater than the measured surplus in the Swiss Plan as at 31 December 2018, the surplus has not been restricted. As the employer contribution reserve at 31 December 2017 was less than the measured surplus, the surplus was 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 2018	31 December 2017
Present value of funded obligations	**(376)**	(464)
Fair value of plan assets	**400**	499
Surplus	**24**	35
Amount not recognised due to asset ceiling	**–**	(3)
Net pension asset	**24**	32

The decrease in the net pension asset from 31 December 2017 to 31 December 2018 is driven by the UK Plan, largely as a result of asset returns being lower than the discount rate assumption, and the net repayment due to the remaining Reservoir Trust assets being returned to the Group.

Our economic capital model includes capital in respect of a possible deficit in the pension plans.

Pensions: actuarial information

Changes in the present value of the defined benefit obligations are as follows:

$m	Year ended 31 December 2018	Year ended 31 December 2017
Present value of funded obligations at beginning of the year	**464**	426
Currency translation difference	**(22)**	38
Current service cost (employer portion)	**1**	2
Interest cost	**10**	11
Employee contributions	**1**	1
Remeasurements due to:		
– changes in financial assumptions	**(33)**	15
– changes in demographic assumptions	**(3)**	(8)
– experience adjustments	**(2)**	–
Actual benefit payments	**(29)**	(18)
Curtailments and settlements	**(11)**	(3)
Present value of funded obligations at year end	**376**	464

Changes in the fair value of plan assets are as follows:

$m	Year ended 31 December 2018	Year ended 31 December 2017
Fair value of plan assets at beginning of the year	**499**	455
Currency translation difference	**(24)**	40
Interest income on plan assets	**10**	12
Actual return on plan assets less interest on plan assets	**(26)**	11
Employer repayments	**(19)**	–
Employee contributions	**1**	1
Benefits paid	**(29)**	(18)
Assets distributed on curtailments and settlements	**(12)**	(2)
Fair value of plan assets at year end	**400**	499

The plan assets primarily relate to investments in bonds, liability-driven investments (LDIs) and diversified growth funds.

Notes to the Group financial statements continued

21. Pension continued

The change in the net pension asset recognised on the Group balance sheet is as follows:

$m	Year ended 31 December 2018	Year ended 31 December 2017
Net pension asset at start of the year	**32**	27
Total pension expense	**(2)**	–
Amount recognised outside profit and loss	**15**	3
Employer repayments	**(19)**	–
Currency translation difference	**(2)**	2
Net pension asset at end of the year	**24**	32

The amounts recognised in the Group income statement are as follows:

$m	Year ended 31 December 2018	Year ended 31 December 2017
Current service cost (employer portion)	**1**	2
Interest on net pension asset	**–**	(1)
Past service cost	**–**	–
Losses/(gains) on settlement/curtailment/transfers (adjusting item per page 143)	**1**	(1)
Total expense	**2**	–

Estimated costs of $1 million have been included relating to removing Guaranteed Minimum Pension (GMP) inequalities in the UK Plan, which is offset within past service costs due to a $1 million credit as a result of review of the revised rates to convert Swiss Plan member account balances into annual pension amounts at retirement.

There are no contributions expected to be paid during the year ending 31 December 2019.

The amounts recognised in other comprehensive income are as follows:

$m	Year ended 31 December 2018	Year ended 31 December 2017
Net actuarial (losses)/gains in the year due to:		
– changes in financial assumptions	**33**	(15)
– changes in demographic assumptions	**3**	8
– experience adjustments on benefit obligations	**2**	–
Actual return on plan assets less interest on plan assets	**(26)**	11
Adjustment to recognise the effect of the asset ceiling	**3**	(1)
Amount recognised in other comprehensive income	**15**	3

The most significant actuarial assumptions used in the valuations of the two plans are:

	UK Plan		Swiss Plan	
	31 December 2018 % p.a.	31 December 2017 % p.a.	31 December 2018 % p.a.	31 December 2017 % p.a.
Discount rate	**2.9**	2.4	**1.0**	0.8
Price inflation	**3.3**	3.3	**1.2**	1.3
Future salary increases	**3.3**	3.3	**1.2**	1.3
Interest crediting rate	**–**	–	**1.0**	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 2018, 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 2017 and S2NA tables for all other members (2017: same as at 31 December 2018). These mortality tables are assumed to be projected by year of birth with allowance for future improvements in longevity in line with the 2017 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 2016 CMI projections with a long-term rate of improvement of 1.25% pa for males and females).

At 31 December 2018 and 31 December 2017 the mortality rates in the Swiss Plan are assumed to be in line with the Swiss BVG 2015 generational tables.

21. Pension continued

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 2018**	31 December 2017	**31 December 2018**	31 December 2017
Life expectancy of male aged 60 at accounting date	**26.8**	27.0	**27.3**	27.2
Life expectancy of male aged 60 in 20 years	**28.4**	28.5	**29.2**	29.1
Life expectancy of female aged 60 at accounting date	**29.0**	29.0	**29.6**	29.4
Life expectancy of female aged 60 in 20 years	**30.5**	30.6	**31.4**	31.3

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 2018:

	UK Plan	Swiss Plan
$m	Increase in obligation	
Discount rate decreased by 0.1% p.a.	**6**	**1**
Inflation rate increased by 0.1% p.a.	**2**	**–**
One year increase in assumed life expectancy	**13**	**–**

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 16 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 2018 are as follows:

	UK Plan		Swiss Plan	
	$m	%	$m	%
Swiss equities	**–**	–	**3**	12%
Non-Swiss equities	**–**	–	**4**	17%
Index-linked government bonds	**42**	11%	**–**	–
Absolute return bonds	**97**	26%	**–**	–
Swiss bonds	**–**	–	**4**	17%
Non-Swiss bonds	**–**	–	**6**	25%
Property	**–**	–	**3**	13%
Hedge funds	**–**	–	**1**	4%
LDI	**104**	28%	**–**	–
Diversified growth funds	**50**	13%	**–**	–
Man alternative risk premia fund	**48**	13%	**–**	–
Cash	**35**	9%	**2**	8%
Other	**–**	–	**1**	4%
Total assets	**376**	100%	**24**	100%

The investment strategy is set by the trustees of the Fund. The current strategy is broadly split into “growth” and “matching” portfolios. The growth portfolio is invested in diversified growth funds and Man alternative risk premia. The matching portfolio is invested primarily in government and corporate bonds (the latter through the “Absolute return bonds” holdings), 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, LDI and Man alternative risk premia are primarily unquoted. At 31 December 2018, around 25% of the Fund assets relate to those with quoted prices and 75% with unquoted prices (2017: around 65% quoted and 35% unquoted). The Fund does not invest directly in property occupied by Man or in Man’s own transferable financial securities. Part of the investment objective of the Fund is to minimise fluctuations in the Fund’s funding levels due to changes in the value of the liabilities. This is primarily achieved using 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 IAS 19 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 Fund’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 Fund’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

	Year ended 31 December 2018		Year ended 31 December 2017	
$m	Revenues by fund location	Non-current assets	Revenues by fund location	Non-current assets
Cayman Islands	**380**	**–**	428	–
Ireland	**202**	**–**	198	–
United Kingdom and the Channel Islands	**124**	**83**	110	153
United States of America	**107**	**795**	127	865
Other countries	**147**	**132**	205	102
	960	**1,010**	1,068	1,120

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 goodwill and other acquired intangible assets, other intangibles, leasehold improvements and equipment, and investments in associates.

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 2018				31 December 2017			
$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**	**246**	**155**	**404**	3	137	112	252
Investments in line-by-line consolidated funds (Note 13)	**–**	**316**	**41**	**357**	–	452	–	452
Derivative financial instruments (Note 14)	**–**	**16**	**–**	**16**	–	9	–	9
	3	**578**	**196**	**777**	3	598	112	713
Financial liabilities held at fair value:								
Derivative financial instruments (Note 15)	**–**	**15**	**–**	**15**	–	10	–	10
Contingent consideration (Note 15)	**–**	**–**	**212**	**212**	–	–	243	243
	–	**15**	**212**	**227**	–	10	243	253

Notes to the Group financial statements continued

25. Fair value of financial assets/liabilities continued

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.

The fair values of non-current assets and liabilities held for sale (Note 13.2) are equal to the carrying values of $39 million (2017: $145 million) and nil respectively (2017: $66 million), and would be classified within Level 2. The fair value of borrowings (Note 12) is $150 million (2017: $156 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 2018 Financial assets at fair value through profit or loss	Year ended 31 December 2018 Financial liabilities at fair value through profit or loss	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
Level 3 financial assets/(liabilities) held at fair value				
At beginning of the year	**112**	**(243)**	68	(161)
Transferred into Level 3	**22**	**–**	–	–
Purchases	**88**	**(1)**	47	(52)
Total (losses)/gains in the Group statement of comprehensive income	**(9)**	**3**	5	(41)
(Loss)/profit included in income statement	**(9)**	**3**	5	(41)
Included in other comprehensive income	**–**	**–**	–	–
Sales or settlements	**(17)**	**29**	(8)	11
At year end	**196**	**(212)**	112	(243)
Total gains/(losses) for the year included in the Group statement of comprehensive income for assets/(liabilities) held at year end	**(9)**	**3**	5	(41)

The financial liabilities in Level 3 relate to the contingent consideration payable.

$m	Year ended 31 December 2018 Numeric	Aalto	Other	Total	Year ended 31 December 2017 Numeric	Aalto	Other	Total
Contingent consideration payable								
At beginning of the year	**175**	**60**	**8**	**243**	150	–	11	161
Purchases	**–**	**–**	**1**	**1**	–	52	–	52
Revaluation of contingent consideration	**(17)**	**(10)**	**(4)**	**(31)**	15	1	(1)	15
Unwind of contingent consideration discount (Note 6)	**20**	**8**	**–**	**28**	18	7	1	26
Sales or settlements	**(6)**	**(21)**	**(2)**	**(29)**	(8)	–	(3)	(11)
At year end	**172**	**37**	**3**	**212**	175	60	8	243

The revaluation of contingent consideration in the Group income statement is an adjustment to the fair value of expected acquisition earn-out payments. The $17 million decrease in the fair value of the Numeric contingent consideration is largely as a result of lower than expected Numeric performance during 2018. The $15 million increase in the fair value of the Numeric contingent consideration in 2017 was driven by higher than expected Numeric performance during 2017.

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 on 1 January 2017. 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.

25. Fair value of financial assets/liabilities continued

The most significant inputs into the valuations at 31 December 2018 are as follows:

	Numeric	Aalto
Weighted average net management fee margin (over the remaining earn-out period)	**0.4%**	**0.7%**
Compound growth in average FUM (over the remaining earn-out period)	**12%**	**21%**

Changes in inputs would result in the following increase/(decrease) in the fair value of the contingent consideration creditor at 31 December 2018, with a corresponding (expense)/gain in the Group income statement:

	Numeric	Aalto
Weighted average net management fee margin		
0.1% increase	**50**	**11**
0.1% decrease	**(50)**	**(13)**
Compound growth in average FUM		
5% increase	**7**	**15**
5% decrease	**(7)**	**(11)**

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 2018 has increased by around 6% from 2017.

Key management compensation	Year ended 31 December 2018 $'000	Year ended 31 December 2017 $'000
Salaries and other short-term employee benefits[1]	**30,641**	42,456
Share-based payments	**11,884**	8,636
Fund product based payment charge	**8,224**	7,743
Pension costs (defined contribution)	**643**	577
Total	**51,392**	59,412

Note:
1 Includes salary, benefits and cash bonus.

Man made a charitable donation of £25,500 to Greenhouse Sports Ltd during the year (2017: £25,500) and, £7,200 (2017: £3,700) was paid to VWA Search Ltd, a recruitment firm, which are considered related parties.

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 (2017: $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 (2017: nil).

27.2 Intra-day and overnight credit facilities

Man guarantees the obligations under a $100 million intra-day (2017: $500 million) and $25 million overnight credit facilities (2017: $25 million), used to settle the majority of the Group's banking arrangements. As at 31 December 2018, the exposure under the intra-day facility is nil (2017: nil) and the overnight facility exposure is nil (2017: nil). The fair value of these commitments has been determined to be nil (2017: nil).

Notes to the Group financial statements continued

27. Financial guarantees and commitments continued

27.3 Operating lease commitments

$m	31 December 2018 Within 1 year	1–5 years	After 5 years	Total	31 December 2017 Within 1 year	1–5 years	After 5 years	Total
Operating lease commitments	**18**	**64**	**275**	**357**	27	56	292	375
Offsetting non-cancellable sublease arrangements (included net above)	**17**	**57**	**11**	**85**	20	73	15	108

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 our Riverbank House premises in London (expiring in 2035) and our main New York office (expiring in 2022), which aggregate to $304 million (2017: $332 million).

28. Other matters

Man 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 Cayman Limited	PO Box MP10085, 3rd Floor Zephyr House, 122 Mary Street, George Town, Grand Cayman, KY1-1001, Cayman Islands	Indirect	Cayman	100
Man Global Private Markets (UK) Limited (Previously 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	Ritter House, Wickhams Cay II, Road Town, Tortola, VG1110	Indirect	BVI	100
FA Sub 3 Limited	Ritter House, Wickhams Cay II, Road Town, Tortola, VG1110	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 186, Royal Chambers, St Julian's Avenue, St Peter Port, GY1 4HP	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

29. Group investments continued

Subsidiaries continued

Group holding and other subsidiaries	Registered address	Direct or indirect	Country of incorporation	Effective Group interest %
GLG Holdings Limited	Wickhams Cay, PO Box 662, Road Town, Tortola	Indirect	BVI	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 Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	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
Man Group Investments Limited (previously GLG Partners UK Ltd)	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
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 186, Royal Chambers, St Julian's Avenue, St Peter Port, GY1 4HP	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 Partners 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 186, Royal Chambers, St Julian's Avenue, St Peter Port, GY1 4HP	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 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 Solutions (USA) LLC	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
Man Solutions SLP LLC	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	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
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

Notes to the Group financial statements continued

29. Group investments continued

Subsidiaries continued

Group holding and other subsidiaries	Registered address	Direct or indirect	Country of incorporation	Effective Group interest %
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	IFC 5 , St Helier , JE1 1ST, Jersey	Indirect	Jersey	100
RMF Co-Investment Limited	PO Box 309, Ugland House, South Church Street, George Town, Grand Cayman, KY1-1104	Indirect	Cayman	100
Silvermine Capital Management LLC	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
GLG Holdings Inc. (in dissolution)	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
GLG Inc. (in dissolution)	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
GLG Partners Inc. (in dissolution)	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
GLG Partners Intermediate GP Ltd (in liquidation)	PO Box 309, Ugland House, South Church Street, George Town, Grand Cayman, KY1-1104	Indirect	Cayman	100
GLG Partners Services Limited (in liquidation)	Po Box 309, Ugland House, South Church Street, George Town, Grand Cayman, KY1-1104	Indirect	Cayman	100
GLG Partners Services LP (in liquidation)	Po Box 309, Ugland House, South Church Street, George Town, Grand Cayman, KY1-1104	Indirect	Cayman	100
Man Financial Australia Pty Limited (in liquidation)	Level 27, Chifley Tower, 2 Chifley Square, Sydney, NSW 2000	Indirect	Australia	100
Man Litchfield Inc. (in dissolution)	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
Man Washington Inc. (in dissolution)	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
Seabrook Holding Inc (in dissolution)	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	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).

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
AHL Insight[2]	C/O Citi Hedge Fund Services Ltd, Hemisphere House, Hamilton HM 11, Bermuda	Bermuda	100
American Beacon AHL Target Risk Fund[2]	Kansas City, MO 64121-9643	USA	80
Man GLG Equity Long Shore Enhanced[1]	c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY 1-11-4,Cayman Islands	Cayman	100
Man GLG European Income Opportunities[2]	70 Sir John Rogerson's Quay, Dublin 2, Ireland	Ireland	49
Man GLG Global Emerging Markets Bond[2]	70 Sir John Rogerson's Quay, Dublin 2, Ireland	Ireland	59
Man GLG Iberian Opportunities Fund[2]	70 Sir John Rogerson's Quay, Dublin 2, Ireland	Ireland	60
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 GPM US Residential Real Estate Fund[2]	Suite 400, Wilmington, New Castle County, Delaware 19808	USA	100
Man Numeric China A Core[1]	c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY 1-11-4,Cayman Islands	Cayman	100
Man Numeric European Equity[2]	70 Sir John Rogerson's Quay, Dublin 2, Ireland	Ireland	98
Man Numeric Global Equity[2]	70 Sir John Rogerson's Quay, Dublin 2, Ireland	Ireland	49
Man Numeric US High Yield Bond[2]	c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY 1-11-4,Cayman Islands	Cayman	100
Man Numeric US Liquid Private Equity Alternative[1]	c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY 1-11-4,Cayman Islands	Cayman	100

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).

29. Group investments continued

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 which were held until November 2018, with no interest remaining at 31 December 2018. 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.

Man sold its 18% investment in Nephila in November 2018 (Note 17).

Parent Company financial statements

Balance sheet

$m	Note	At 31 December 2018	At 31 December 2017
Fixed assets			
Investment in subsidiaries	2	**2,439**	2,439
Current assets			
Debtors	3	**217**	275
Creditors – amounts falling due within one year			
Other creditors and accruals	4	**(70)**	(85)
Net current assets		**147**	190
Creditors – amounts falling after more than one year			
Borrowings	5	**(150)**	(150)
Total assets less current liabilities		**2,436**	2,479
Capital and reserves			
Called up share capital		**55**	56
Share premium account		**32**	26
Capital reserve		**8**	7
Merger reserve		**499**	499
Treasury reserve		**(114)**	–
Profit and loss account		**1,956**	1,891
Total shareholders' funds		**2,436**	2,479

The profit after tax for the year was $334 million (2017: $356 million). During the year the Company received dividend income of $358 million from subsidiaries (2017: $372 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 62.

The financial statements of the Company (registered number 08172396) were approved by the Board of directors and authorised for issue on 1 March 2019 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	Treasury reserve	Profit and loss account	Total
At 1 January 2017	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
Issue of ordinary share capital	**–**	**6**	**–**	**–**	**–**	**–**	**6**
Repurchase of shares	**(1)**	**–**	**1**	**–**	**–**	**(201)**	**(201)**
Profit for the financial year/total comprehensive income	**–**	**–**	**–**	**–**	**–**	**334**	**334**
Transfer to Treasury shares	**–**	**–**	**–**	**–**	**(121)**	**121**	**–**
Settlement of Aalto year one contingent consideration	**–**	**–**	**–**	**–**	**7**	**–**	**7**
Dividends	**–**	**–**	**–**	**–**	**–**	**(189)**	**(189)**
At 31 December 2018	**55**	**32**	**8**	**499**	**(114)**	**1,956**	**2,436**

The allotted and fully paid share capital of the Company is detailed in Note 20 of the Group financial statements. The Company has distributable reserves of $2.0 billion at 31 December 2018 (31 December 2017: $1.9 billion).

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	**2018**	2017
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 (2017: 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 2018**	31 December 2017
Current tax asset	**6**	4
Amounts owed by Group undertakings	**211**	271
	217	275

4. Creditors – amounts falling due within one year

$m	**31 December 2018**	31 December 2017
Amounts owed to Group undertakings	**4**	9
Other creditors	**66**	76
	70	85

Other creditors includes $63 million (2017: $74 million) relating to the share repurchase which was partially completed during the year (see Note 20 to the Group financial statements).

Notes to the Parent Company financial statements continued

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 67 to 89. 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

$m	Year to 31 December 2018	Year to 31 December 2017	Year to 31 December 2016	Year to 31 December 2015	Year to 31 December 2014
Income statement					
Gross management and other fees	**834**	781	746	833	810
Performance fees	**126**	287	81	302	340
Profit before adjusting items	**251**	384	205	400	481
Adjusting items[1]	**27**	(112)	(477)	(216)	(97)
Pre-tax profit/(loss)	**278**	272	(272)	184	384
Tax (expense)/credit	**(5)**	(17)	6	(13)	(19)
Profit/(loss) for the year	**273**	255	(266)	171	365
Adjusted net management fee profit before tax	**217**	203	178	194	198
Adjusted net performance fee profit before tax	**34**	181	27	206	283
Earnings per share (diluted)	**17.0**	15.3	(15.8)	10.0	20.5
Balance sheet ($m)					
Net cash	**220**	229	277	458	589
Net assets	**1,593**	1,716	1,674	2,215	2,434
Other statistics					
Post-tax return on equity (%)	**16.9**	15.2	(12.5)	7.5	15.8
Cash flow from operating activities (before working capital movements) ($m)	**311**	431	245	402	463
Ordinary dividends per share (cents)	**11.8**	10.8	9.0	10.2	10.1
Funds under management ($bn)	**108.5**	109.1	80.9	78.7	72.9
Average headcount[2]	**1,376**	1,313	1,250	1,183	1,078
Sterling/USD exchange rates					
Average	**0.7489**	0.7759	0.7384	0.6544	0.6072
Year end	**0.7837**	0.7396	0.8093	0.6786	0.6419

Notes:
1 Statutory profit/(loss) before tax is adjusted to give a fuller understanding of the underlying profitability of the business. See page 142 to 145 for details of alternative performance measures.
2 The average headcount includes directors, employees, partners and contractors.

Alternative performance measures

We assess the performance of the Group using a variety of alternative performance measures (APMs). 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 21). 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 21.

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 21.

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 peers

The asset weighted outperformance relative to peers for the period stated is calculated using the daily 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 2018 it covers 89% of the FUM of the Group and excludes infrastructure mandates, Global Private Markets and collateralised loan obligations. Asset weighted outperformance versus peers is a KPI (page 18).

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 the third-party share of management fees relating to consolidated fund entities (Note 13.2 to the Group financial statements) which 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 FUM. Net management fee revenue and margins are shown on page 22.

Core net management fee revenue

Core net management fee revenue excludes net management fee revenue relating to guaranteed products, sales commission income from Nephila and share of post-tax profits of associates. These items have been excluded in order to better present the core business given the roll-off of the legacy guaranteed product FUM, income from the Nephila sales commission agreement which ended during 2017 (Note 17), and share of post-tax profits of associates which is generated externally and for which our remaining equity interest was sold during 2018 (Note 17). The detailed calculation of core net management fee revenue is shown on page 22.

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 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, and therefore 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. 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.

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 2018	Year ended 1 December 2017
Statutory profit before tax		**278**	272
Adjusting items:			
Acquisition and disposal related			
Amortisation of acquired intangible assets	10	**83**	84
Revaluation of contingent consideration	25	**(31)**	15
Unwind of contingent consideration discount	6	**28**	26
Gain on sale of associate		**(113)**	–
Reassessment of litigation provision	16	**–**	(24)
Compensation – restructuring	4	**1**	4
Other costs – restructuring	5	**5**	7
Adjusted profit before tax		**251**	384
Tax on adjusted profit		**(35)**	(47)
Adjusted profit after tax		**216**	337

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 is outlined below:

$m	Note to the Group financial statements	Year ended 31 December 2018	Year ended 31 December 2017
Statutory tax expense		**5**	17
Less tax credit on adjusting items:			
Amortisation of acquired intangible assets		**10**	10
Compensation – restructuring		**–**	1
Other costs – restructuring		**–**	2
Tax adjusting item	7	**20**	17
Tax expense on adjusted profit before tax		**35**	47
Made up of:			
Tax expense on adjusted management fee profit before tax		**28**	24
Tax expense on adjusted performance fee profit before tax		**7**	23

Effective tax rate on adjusted profit before tax

The effective tax rate on adjusted profit before tax is equal to the tax on adjusted profit divided by adjusted profit before tax. As outlined on page 142 adjusted profit before tax is a measure of the Group's underlying profitability. The tax expense on adjusted profit before tax is calculated by excluding the tax benefit/expense related to adjusting items from the statutory tax expense, except for any tax relief recognised as a result of available US tax assets (see page 111). Therefore the tax on adjusted profit best reflects the cash taxes payable by the Group.

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	Note to the Group financial statements	Year ended 31 December 2018	Year ended 31 December 2017
Total compensation costs	4	**437**	478
Adjusting items (as above)		**(1)**	(4)
Total compensation costs excluding adjusting items		**436**	474
Made up of:			
Fixed compensation (includes salaries and associated social security costs, and pension costs)		**179**	174
Variable compensation (includes variable cash compensation, share-based payment charge, fund product payment charge and associated social security costs)		**257**	300
Total other costs	5	**175**	173
Adjusting items (as above)		**(5)**	(7)
Total other costs excluding adjusting items		**170**	166
Total finance expense	6	**40**	38
Total finance income	6	**(7)**	(3)
Net finance expense, including adjusting items		**33**	35
Adjusting items (as above)		**(28)**	(26)
Net finance expense excluding adjusting items		**5**	9

Alternative performance measures continued

Adjusted management fee EPS

Man's dividend policy is disclosed on page 26. 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 2018			Year ended 31 December 2017		
	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 after tax	273	17.3	17.0	255	15.5	15.3
Adjusting items	(27)	(1.7)	(1.7)	112	6.8	6.8
Tax adjusting items	(30)	(1.9)	(1.8)	(30)	(1.8)	(1.8)
Adjusted profit after tax	216	13.7	13.5	337	20.5	20.3
Less adjusted performance fee profit	(27)	(1.7)	(1.7)	(158)	(9.6)	(9.5)
Adjusted management fee profit after tax	189	12.0	11.8	179	10.9	10.8

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 2018	Year ended 31 December 2017
Gross management and other fees[1]	835	784
Share of post-tax profit of associates	7	8
Less:		
Distribution costs	(51)	(56)
Asset servicing	(51)	(37)
Compensation	(357)	(331)
Other costs[1]	(170)	(165)
Net finance expense	4	–
Adjusted management fee profit before tax	217	203
Exclude: Net management fees from guaranteed products, commission income and share of post-tax profits of associates	(14)	(25)
Core management fee profit before tax	203	178
Performance fees	127	289
(Losses)/gains on investments and other financial instruments[2]	(5)	44
Less:		
Compensation	(79)	(143)
Finance expense	(9)	(9)
Adjusted performance fee profit before tax	34	181
Adjusted core profit before tax	237	359

Notes:
1 Gross management and other fees also includes $1 million (2017: $3 million) of management fee revenue, performance fees include $1 million (2017: $2 million) of performance fee revenue and other costs includes a deduction of nil of costs (2017: $1 million) relating to line-by-line consolidated fund entities for the third-party share (per Group financial statements Note 13.2 on page 119).
2 Losses/gains on investments includes income or losses/gains on investments and other financial instruments of $10 million loss (2017: $64 million gain), offset by $7 million (2017: $14 million) third party share of gains relating to line-by-line consolidated fund entities, less the reclassification of management fee revenue of $1 million, performance fee revenue of $1 million and other costs of nil as above (2017: $3 million, $2 million and $1 million respectively).

Adjusted core profit before tax and 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 122 for core net management fee revenue. Adjusted core profit before tax is core management fee profit before tax plus adjusted performance fee profit before tax, equivalent to adjusted profit before tax excluding net management fees relating to guaranteed products, sales commission income from Nephila and share of post-tax profits of associates. Adjusted core profit before tax is a KPI (page 22).

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 23.

Proforma surplus capital

The Group's surplus capital is calculated as follows:

$m	31 December 2018	31 December 2017
Permitted share capital reserves and subordinated debt	**1,490**	1,584
Less deductions (primarily goodwill and other intangibles)	**(987)**	(1,052)
Group financial resources	**503**	532
Less financial resources requirement	**(238)**	(276)
Surplus capital	**265**	256

Movements in the Group's surplus capital from 31 December 2017 to 31 December 2018 are outlined below.

$m	
Surplus capital at 31 December 2017	**256**
2017 profit after tax, adding back intangibles amortisation	**341**
Dividends and share repurchases	**(390)**
Decrease in financial resources requirement on receivables and other assets	**38**
Other movements	**20**
Surplus capital at 31 December 2018	**265**

We adjust the reportable surplus capital for items relating to the financial year results which will be incorporated into our surplus capital once these results have been audited, as well as other significant changes where deemed appropriate. The reconciliation of surplus capital to proforma surplus capital is provided below.

$m	
Surplus capital at 31 December 2018	**265**
H2 2018 profit after tax, adding back intangibles amortisation	**235**
2018 proposed final dividend	**(83)**
New leases accounting standard – 1 January 2019 impact (Note 1 to the Group financial statements)	**(100)**
Other movements (primarily H2 2018 other reserve movements)	**23**
Proforma surplus capital	**340**

Shareholder information

In this section we have provided some key information to assist you in managing your shareholding in Man Group. 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 Group and for finding out more about the Company:

Man Group (www.man.com)

The Man Group 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 Group 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 Group'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 2018

4.06 pence per share

The directors have recommended a final dividend of 4.06 pence per share in respect of the year ended 31 December 2018. Payment of this dividend is subject to approval at the 2019 Annual General Meeting (AGM). Key dates relating to this dividend are given below:

Ex-dividend date	4 April 2019
Record date	5 April 2019
DRIP election date	25 April 2019
AGM (to approve final dividend)	10 May 2019
Payment date	17 May 2019
CREST accounts credited with DRIP shares	22 May 2019
DRIP share certificates received	23 May 2019

Dividend policy

Man Group'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. The Company is currently 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 2018 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 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 Group 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 2018, Equiniti must have received your instruction by 5.00pm on 25 April 2019. Instructions received after this date will be applied to the next dividend payment.

Dividend history

To help shareholders with their tax affairs, details of dividends paid in the 2018/19 tax year can be found above. Please note that the dividend amounts are declared in US Dollars but paid in Sterling. For ease of reference the Sterling dividend amounts have been detailed in the table. For details of historical payments, please refer to the Dividends section of our website which can be found under Investor Relations.

Changes to tax on dividend income

HM Revenue and Customs previously announced that the tax-free dividend allowance reduced from £5,000 to £2,000 per annum with effect from 6 April 2018. Please refer to the HMRC website for further details.

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.

Dividends paid in the 2018/19 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 2018	O/23	05/09/2018	4.88	09/08/2018	10/08/2018	173.0900	05/09/2018
Final dividend for the year ended 31 Dec 2017	O/22	18/05/2018	4.18	26/04/2018	27/04/2018	194.0856	18/05/2018

Shareholder communications

Annual and Interim Reports

Man Group publishes an Annual and Interim Report every year. The Annual Report is published on the website and is sent to shareholders through the post if they have requested to receive a copy. 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 Group 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 or 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 Group 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] (+44 121 415 7592 if calling from outside the UK), quoting Ref No 874. 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 £197 million is lost in this way in the UK each year, with an average loss of £29,000 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 Group 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
Website: 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
J.P. Morgan Cazenove

Corporate Communications

Finsbury

Registrars

Equiniti

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. This includes trend following and discretionary long-short strategies

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
Collateralised 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

GDPR
The General Data Protection Regulation

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

Multi-manager solutions
Multi-manager solutions FUM includes traditional fund of fund and infrastructure and segregated mandates

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

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. This includes EM debt total return, GPM, risk premia, and CLO strategies

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

Definition of Terms used to Measure Industry Performance in Net Flows (page 69)

Hedge Fund Research (HFR) Global Hedge Fund Industry Report reports flows by strategy and risk/return statistics for the hedge fund industry. Strategy terms used have the following meanings:

- Quant: Quantitative Directional and Systematic Diversified product categories.
- Ex Quant: Total Hedge Fund Industry excluding Quantitative Directional and Systematic Diversified for GLG.
- FoHF: Fund of Hedge Fund product category.

eVestment is a global assets under management, performance and flow database for long-only asset managers. Strategy terms used have the following meanings:

- Active Quant: Active Quantitative, excluding Active Discretionary and Passive categories.
- Active ex Quant: Active Discretionary, excluding Active Quantitative and Passive categories.

Preqin Real Estate reports global assets under management and flow data for real estate asset managers.

Designed by
CONRAN DESIGN GROUP

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