

```

def write(self, symbol, data):
    pandas = False
    # Check for overlapping data
    if isinstance(data, list):
        start = data[0]['index']
        end = data[-1]['index']
    elif isinstance(data, pd.DataFrame):
        start = data.index[0].to_datetime()
        end = data.index[-1].to_datetime()
        pandas = True
    else:
        raise UnhandledDtypeException("Can't persist type %s to tickstore" % type(data))
    self._assert_nonoverlapping_data(symbol, to_dt(start), to_dt(end))
    if pandas:
        buckets = self._pandas_to_buckets(data, symbol)
    else:
        buckets = self._to_buckets(data, symbol)
    self._write(buckets)

```



**80+**

**investment  
strategies**

**\$117.7bn**

**funds under  
management**

**700+**

```

def _to_buckets(self, x, symbol):
    rtn = []
    for i in range(0, len(x), self.chunk_size):
        rtn.append(self._to_bucket(x[i:i + self.chunk_size], symbol))
    return rtn

```

**markets**

**6000+**

**institutional  
clients**

Man Group is a technology-empowered active investment management firm with over

1,400 employees

from more than

60 countries.

We are made up of

5 diverse investment engines

and aim to achieve outperformance and create innovative solutions for our clients and the over

100m

pensioners and savers worldwide that they represent.

We seek to maximise shareholder returns by focusing on delivering alpha for our clients, and have achieved

**6.2%** outperformance vs. peers over the last five years,

helping to generate

**\$1.1bn** in performance fees over the same period.

We also aim to operate efficiently, which has enabled us to deliver

**\$1.6bn** in adjusted profits before tax<sup>1</sup>

and to return

**\$1.5bn** to shareholders through dividends and share buybacks over the past five years.

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

**Luke Ellis**

Chief Executive Officer

<sup>1</sup> The Group's alternative performance measures are outlined on pages 148–151.

2 At a glance

# Our proposition is strong

**We offer a diverse range of long-only and alternative strategies on a discretionary and systematic basis.**

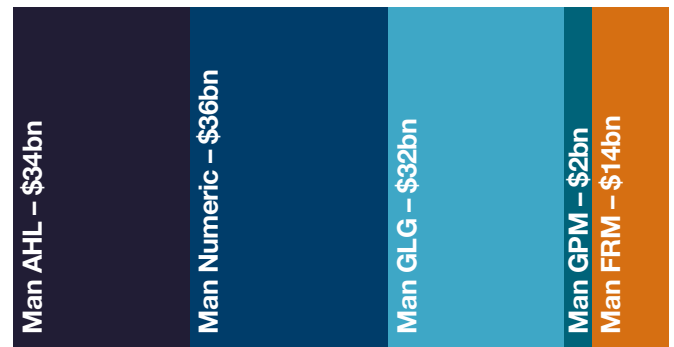
**We harness the power of technology across infrastructure, alpha generation and trading and execution.**

**We develop deep client relationships with a single point of contact for everyone.**

**This is how we stay at the forefront of investment management, risk management, trading and operations.**

**We actively manage investments of**

# \$117.7bn

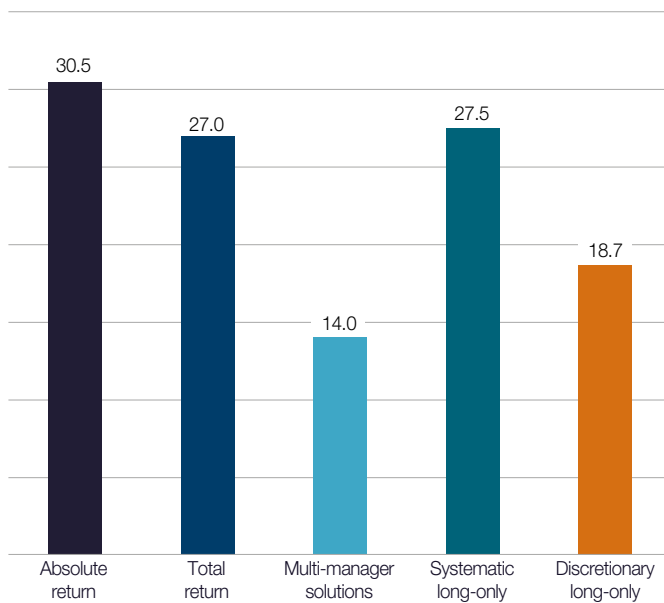


Within Man Group’s single operating platform, we have five investment engines that house numerous investment teams and work both autonomously and collaboratively.



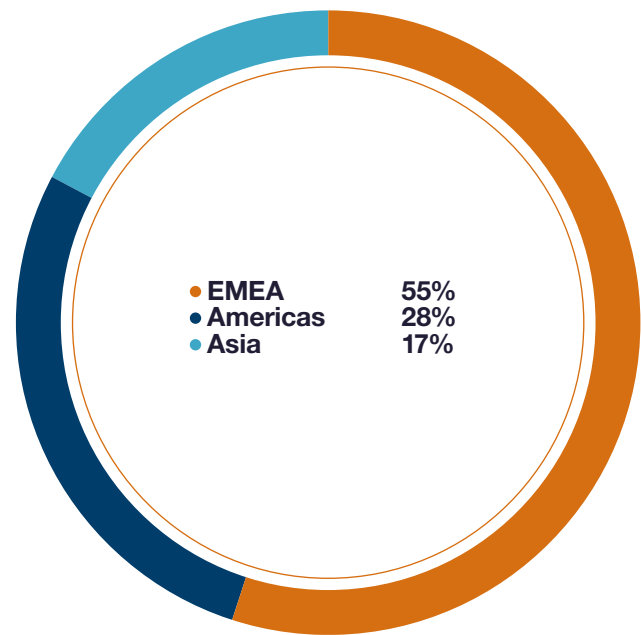
and invest across diverse styles and asset classes

FUM by product category (\$bn)



We leverage our robust infrastructure to provide a range of strategies across investment approaches, styles, and asset classes.

for our global client base.



We develop long-term partnerships with our clients through one key point of contact, enabling us to truly understand their individual needs and create innovative solutions for them.

Funds under management

**\$117.7bn**

2018: \$108.5bn

**+8%**

Statutory EPS

**18.4¢**

2018: 17.0¢

**+8%**

Adjusted EPS<sup>1</sup>

**21.1¢**

2018: 13.5¢

**+56%**

Proposed dividend per share

**9.8¢**

2018: 11.8¢

**-17%**



**At the start of 2020 it was my honour to become Chairman of Man Group and it is my pleasure to present to you the Annual Report for 2019.**

**John Cryan**  
Chairman

## Overview of the year

Last year the investment markets continued to be influenced by political and economic uncertainty countered by accommodative central bank policies in the major western markets. Low to negative interest rates and central bank asset purchases have generally provided sufficient support for asset prices such that overall public markets increased their levels over the year. Traditional discretionary investment styles remained under secular pressure from the trend of many investors choosing to switch into simple, low- or zero-priced products designed to track the major market indices.

Overall, 2019 was a rather accommodating year for many asset classes and investment styles, particularly for growth strategies. This was reflected in our \$10.1 billion of gains for clients across the firm. This overall performance masks some dispersion in outcomes for the year, especially some underperformance in many of our long-only strategies, notably where the fund style is biased towards capturing value opportunities. Relative performance was generally weaker, with average underperformance of 1.1%<sup>1</sup>. A positive turnaround in net flows in the last quarter of the year wasn't enough to offset the net outflows we experienced in the first nine months.

The investment management industry continues to be heavily impacted by pressure on profit margins on fees charged to clients. At Man Group we are not immune to this trend, though to some extent our business mix now more closely reflects current fee levels, as much of the historical, high-margin business, especially at Man AHL, has now largely run off. Nevertheless, our adjusted management fee profits<sup>1</sup> – the metric we use to give you a clearer insight into the profitability of our base investment management fees – decreased by 21% driven by a number of non-operating factors and margin compression due to the change in mix during the year.

More positively, our overall profitability was significantly boosted by adjusted performance fee profits<sup>1</sup>, which increased over six-fold year on year. We start 2020 with many of our funds relatively well positioned to capture further performance fees. Overall, our adjusted profit before tax<sup>1</sup> for the Group as a whole for 2019 increased by more than 50% compared to 2018. Statutory profit before tax increased by 10%.

Our capital policy remains unchanged. It is to pay dividends each year in an aggregate amount equivalent to management fee earnings per share. Additionally, we seek to return to shareholders – recently through share buyback programmes – remaining retained earnings not deemed required to meet foreseeable business needs. In line with that policy, the Board has recommended a final dividend of 5.1c per share, which, when taken together with the interim dividend already distributed, amounts to a full-year dividend of 9.8c per share. The final dividend recommendation is, as usual, subject to approval by shareholders at the AGM to be held in May 2020. In 2019 we also repurchased \$92 million of shares through our buyback programmes.

## Our role as an asset manager

Our core strategic intent is to meet the needs of our clients in creating or preserving value for the many millions of individual savers and pensioners that they represent. We seek to outperform the markets through active management of the funds under our stewardship. To achieve this, we employ experienced investment professionals and highly skilled technologists and combine their strengths to create strategies that we believe can generate the desired outperformance.

The Board spends a significant amount of time reviewing the performance of our investment strategies. We monitor the sourcing and development of business partnerships with our major clients. We ensure that management is focused on the creation of customised solutions to meet investor needs. Investment in our people and our technology is critical to our continuing success.

We at Man Group recognise that part of our fiduciary duty to our clients is the responsible investment of the funds we manage on their and their clients' behalf. In ensuring the sound stewardship of our investors' capital we seek not only to ensure that our approach closely aligns us with the values of our clients but also balances the expectations of our shareholders and all the other stakeholders of Man Group. To this end, we employ a formalised process that quantifies the degree of responsible investment focus for each and every one of Man Group's funds. We offer our investment managers proprietary tools to monitor and manage Environmental, Social and Governance (ESG) factors as well as maintaining a list of companies whose securities are ineligible for inclusion in our portfolios. We thereby seek to ensure a clear and consistent approach to responsible investment across our entire range of strategies and to inform the way we deliver on our approach to ESG matters in a manner that can meet the broad palette of preferences expressed by our clients.



**Our strategic intent is to meet the needs of our clients to create or preserve value for the many millions of individual savers and pensioners they represent.**

## Corporate restructuring

In May 2019, we completed the corporate reorganisation that we had announced back in October 2018. The effect of the reorganisation was to introduce a new, listed holding company for the Group. The newly incorporated company Man Group plc (the Company) is registered in Jersey. Shareholders approved the reorganisation on 10 May 2019. The shares of the new holding company were introduced to the premium listing segment of the Official List and to trading on the London Stock Exchange on 28 May 2019.

The background to the reorganisation was the desire to adjust our corporate structure and the governance of our overseas operations such that they are better aligned with the global footprint of the business. The Group has seen significant growth in the size of its US business over the past five years, alongside growth in other overseas markets. The new structure is intended to provide greater flexibility for the Group, to support the effective and efficient governance of the business and to be consistent with market practice for many global institutional asset managers.

Prior to the reorganisation, Man Group's businesses in the US and Asia were prudentially regulated by the UK authorities as well as by local regulators. The new structure means the Group is no longer subject to global consolidated capital requirements. This provides us with greater flexibility in the manner in which we finance the Group, including, for example, in how we manage the seed capital programme that supports product innovation in our overseas businesses. The Board continues to judge the Group's capital needs against its operational and strategic requirements. As a result of the Group reorganisation we have seen no change in our dividend and capital management policies.

<sup>1</sup> The Group's alternative performance measures are outlined on pages 148–151. Performance figures shown net of representative management and performance fee. Past performance is not indicative of future performance.

6 **Chairman's statement** continued**People and culture**

The development of a deep and diverse pool of human talent is vital to our continued success. The promotion of management ambition has been a key area of focus for the Board during the year. We encourage proactive career development and, where appropriate, mobility of talent within the business. The Board has also overseen management's alignment of Man Group's culture with the ethical values we embrace. We also encourage management in its promotion of diversity and inclusion of staff at all levels of the organisation. It is very important to us that Man Group be widely considered an employer of choice. As an element in assessing progress, an employee survey was undertaken during the year. The Board reviewed the results of this survey, which identified what is working well and which are the areas where we might look for further improvement. We also reviewed management's consequent plan of action and its focused initiatives for the coming year.

**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 Man Charitable Foundation. Our charitable focus is on promoting literacy and numeracy. 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 days' paid leave each year to volunteer with charities supported by the two trusts or with a charity of their choice. The Group will continue to develop its work to promote diversity and social mobility in education and STEM subjects (science, technology, engineering and mathematics) particularly. In July 2019, the Group made a significant donation to King's College London Mathematics School, to support the school as it brings high quality mathematics education to students, aged 16 to 19, who have a particular aptitude for the subject.

**Shareholders**

The Board gives high priority to shareholder and investor communications. It receives regular investor reports which detail the feedback from investor meetings.

**Board changes**

In September, Jon Sorrell informed us of his decision to leave the Group to pursue an opportunity elsewhere. Jon's contribution to Man Group over the years has been invaluable, especially as Chief Financial Officer and then as President. We would like to thank him for his leadership, dedication, guidance and unstinting hard work. He will be missed.

In December, Lord Livingston of Parkhead left the Board. Ian had served as our Chairman since January 2016. On behalf of the entire Board, I would like to thank Ian for his leadership and for the significant contribution he made to the firm. I wish him the very best in his future endeavours.

In February 2020 we announced that after serving on the Board for nine years Matthew Lester was to step down on 26th February. Matthew has seen significant change at Man Group and has made an excellent contribution to the work of the Board. I wish him the very best for the future.

I am delighted to welcome to the Board Lucinda Bell and Ceci Kurzman, who joined us on 28 February 2020, and Anne Wade who will be joining us on 30 April 2020.

**Workforce engagement**

In line with the new Corporate Governance Code, we are including in our report to shareholders for the first time this year a so-called Section 172 (1) statement on how your Board has considered and balanced, among other matters, the interests of all of the Group's stakeholders in coming to its decisions. Implicit in this is the Board's consideration of the impacts of corporate decision-making on our employees. We have chosen to engage formally and directly with our employees across the globe. Dame Kate Barker and Zoe Cruz agreed to be the Board's appointed representatives to lead this engagement. I would like to thank Kate and Zoe for their tremendous efforts in this regard and to thank our participating staff, who matched their enthusiasm for direct engagement. The Board has discussed and considered the feedback to date. Over time we will assess what may be the most effective means whereby the interests of our staff can inform Board discussions, both in the light of our own staff feedback and by comparing how other UK-listed public companies interpret and use the new Corporate Governance Code.

I would like to thank all my colleagues for their dedication and hard work. On behalf of the Board I would like to thank all our shareholders for their continuing support and look forward to meeting those who attend the Group's annual general meeting.

**John Cryan**  
Chairman



# Our commercial differentiators enable us to deliver stakeholder value

## Diversification

Strength lies in diversity, both in terms of a broad global offering to help meet our clients' investment goals, and fostering a diverse and inclusive working environment that encourages new ideas and perspectives from our employees.



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## Relationships

We look to forge deep and long-lasting relationships with our clients, our employees and our shareholders. These relationships help us to understand our clients' needs, to retain talent within our firm, and to serve our shareholders' interests.



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## Technology

Technology is at the heart of everything we do; it not only helps create efficiencies within our business, but also helps us to capture more alpha and deliver better returns for our clients.



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## Responsibility

We aim to be responsible stewards of our clients' and shareholders' capital, and to run our business in a socially responsible way, taking into account our impact on the environment and on society as a whole.



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700+

markets traded across the firm

Diversi-

80+

investment strategies

60+

nationalities

600+

institutional clients, including some  
of the world's largest investors

**ification**

1,400+

employees

10 **Our business model**

# A sustainable and cash-generative business model

## We aim to deliver...

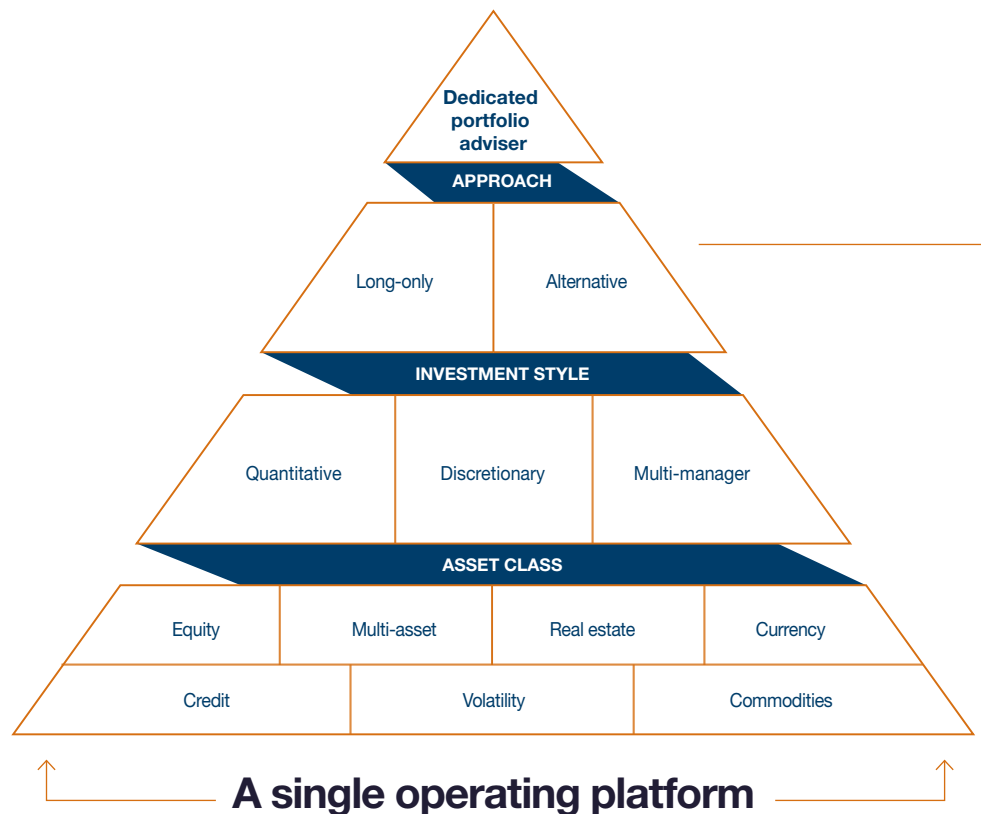
...high quality active management solutions for our clients, deploying the latest technology across our business to ensure we stay at the forefront of our evolving industry.

Products and solutions are distributed to institutions, and to private investors via a global network of intermediaries. Each client has one point of contact whose role is to be an expert in that client's requirements and maintain client relationships on behalf of the entire business. In addition to growing the business through investment performance and fund flows, we look to grow by attracting talent, adding investment teams and taking advantage of acquisition opportunities which can generate an attractive return on capital.

At the core of Man Group's investment management and distribution are strong operational infrastructure, risk management, people management and governance which ensure the sustainability of the business model and enable us to take advantage of new business opportunities.

## How we create value...

...through a diverse range of strategies, a client-centric culture, an ongoing focus on operational efficiency and continuously thinking about our responsibilities to our stakeholders.



## Our business model is underpinned by our:

**People and culture** [Page 44](#)  
**Risk management** [Page 34](#)

**Governance framework** [Page 56](#)  
**Strong capital base** [Page 33](#)

## How we generate cash flows

The long-term success of an asset management business is centred around the ability to generate outperformance for clients and to develop and strengthen client relationships. This will generate cash flows which in time can be returned to shareholders.

### Outperformance

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

### Revenue generation

Management fees are typically charged as a percentage of each fund entity's gross investment exposure or NAV. Performance fees are typically charged as a percentage of investment performance above a benchmark return or previous higher valuation 'high water mark'.

### Costs

Man Group is fundamentally a people business and the majority of the Group's costs comprise payments to individuals whether they are investment managers who manage investor assets, internal sales staff who distribute products or the teams that manage the Group's operations and infrastructure.

### Central execution

We have brought together traders, trading technologists and researchers with the aim to deliver superior execution results and reduce trading cost for all of our investment engines to the benefit of our clients.

## The value we deliver to our stakeholders

### Clients

Absolute performance

**\$10.1bn**

of gains for clients in 2019

Servicing clients' needs

**72%**

of FUM from clients invested in two products or more



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19

### Shareholders

Shareholder returns

**\$1.5bn**

of dividends and buybacks in the last five years

Dividends and share buyback

**\$248m**

in relation to 2019



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### Employees

Employee engagement score

**77%**

Employee turnover

**10.8%**



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### Community

Man Charitable Trust

**\$1.2m**

in charitable donations and initiatives in 2019

Volunteering

**28%**

of UK employees volunteered in 2019



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1

dedicated  
point of  
contact

Relation-

66%

of FUM from clients invested in  
more than one investment engine

72%

of FUM from clients invested  
in two products or more

ships

12+

years average tenure  
of ExCo members at  
the firm, including time  
pre-acquisition

# Market environment and industry trends

## Global and macro trends

### Macro environment

#### Description

2019 opened with significant macro-economic concerns about global economic growth, trade and Brexit. As uncertainty rose, central banks signalled stimulus and markets rallied, led in particular by growth equity as well as fixed income.

By the fourth quarter as economic uncertainty receded in the US and the Eurozone, US/China trade hostilities paused and a decisive UK election provided political direction, equities finished the year strongly with growth significantly outperforming value over the year.

#### What this means to the Group

- 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 deteriorate we are able to react
- Man Group exists to add value through sophisticated, active management and we believe the future provides us with the opportunity to capitalise on this core skill

### Brexit

#### Description

The UK left the European Union (EU) on 31 January 2020 and is now in a transition period where it continues to follow EU rules whilst negotiating the future relationship with the EU.

The UK Government has committed to this transition concluding by the end of 2020.

#### What this means to the Group

- Man Group has planned for a range of Brexit scenarios that may impact its employees, business or clients, including a no-deal at the end of the transition period
- At the beginning of 2019, Man Group received regulatory approval to upgrade the regulatory permissions of its existing Irish entity and opened a physical office in Dublin
- This has allowed Man Group to remain able to service its existing European clients and to access new business in the EU

## Industry trends

### Margin compression

#### Description

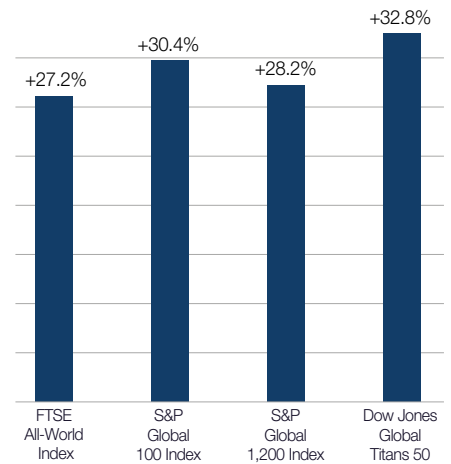
The average margin across the industry has been reducing over time as clients allocate towards cheaper products or seek to renegotiate fees.

#### What this means to the Group

- Most of the reduction in the 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, however innovative products with a strong track record continue to attract higher fees
- We also believe there are a number of opportunities to work profitably for our clients on larger-scale business at a lower margin fee, which is attractive to shareholders



Global indices 2019



Client allocations

Description

Clients reduced their active equity and hedge fund exposure in 2019, which has resulted in outflows across the industry. On the flip side of this, clients increased their exposure to credit and fixed income, leading to inflows into these asset classes during the year. The other area of continued growth in the asset management industry is private markets.

What this means to the Group

- Given our skew to active equities and liquid alternatives, allocation trends have an impact on short-term flows
- Our client and quant focus continues to drive sector-weighted flow outperformance over the cycle
- Man Global Private Markets (Man GPM) has solid long-term growth trends and gives us some private markets capability. Today, it's a small part of the Group and while it is an area which takes time to build traction its a key focus area going forward

Liquidity

Description

There has been much public discussion of liquidity issues on daily traded funds with several high-profile cases in the news during 2019. As a result, there has been much political and regulatory commentary regarding liquidity, particularly in the UK.

What this means to the Group

- Our management team has direct experience from the 2008 financial crisis
- We focus on managing liquidity conservatively in all our funds
- We frequently close strategies to new investments to ensure they can continue to deliver returns and do not become too big
- We close funds at the lower of where the portfolio manager or our risk-analysis team think size is affecting style or our ability to deliver the prospectus liquidity

Technology

Description

Asset management has been slower than other financial services industries to embrace new technologies.

Firms that place technology, whether investments in data, analytics, distribution and/ or client experience at the centre of their asset management strategy can benefit from improvements across multiple metrics.

What this means to the Group

- Man Group has over 30 years of quantitative investment management experience
- We have over 500 quants and technologists across the firm and multiple examples of using technology to drive improved shareholder returns
- As an example, we estimate recent execution technology improvement adds up to 2% to expected returns in one strategy

6m+

lines of Python code  
supporting our  
investment strategies

Tech-

170%

annual increase in technology  
headcount over the past five years

5000+

quants and technologists

nology

30+

years of quant  
investing experience

## Chief Executive Officer's review

**Absolute performance**

**\$10.1bn**

2018: \$-7.7bn

**Asset weighted relative performance**

**-1.1%**

2018: 1.0%

**Funds under management**

**\$117.7bn**

2018: \$108.5bn

**+8%**

**Statutory profit before tax**

**\$307m**

2018: \$278bn

**+10%**

**Adjusted profit before tax<sup>2</sup>**

**\$386m**

2018: \$251m

**+54%**



**Absolute performance was strong in 2019, particularly in our long-only and quant alternative strategies, which drove the increase in FUM and profits.**

**Luke Ellis**

Chief Executive Officer



## Overview<sup>1</sup>

After the equity market sell-off at the end of 2018, 2019 was characterised by a more supportive market backdrop for most asset classes.

This led to positive performance across our long-only strategies as well as strong absolute performance from our quant alternative strategies. However, it was a more challenging period for alpha generation, particularly for our strategies with a valuation focus, which led to asset weighted underperformance versus peers of 1.1% for the year<sup>1</sup> (2018: 1.0% outperformance). Across the industry we have seen clients reducing their active equity allocations and increasing their allocations to bonds. This is an area where we have historically been under-represented, which contributed to net outflows in the year. Going forward, we would hope to grow our fixed income and credit capabilities. Nevertheless, we continued to see ongoing engagement with clients on new mandates and in particular strong demand for our alternative risk premia strategies. Funds under management increased by 8% to \$117.7 billion in the year, as strong absolute investment performance more than offset net outflows.

In 2019 we progressed with the evolution of our business away from legacy guaranteed products to an institutional client base. For absolute return strategies FUM from guaranteed products is now negligible. This is noteworthy as the shift in the product mix has been a contributory factor in its declining net management fee margin. For multi-manager solutions the shift away from traditional funds of fund manager products to an institutional solutions provider is expected to have a better growth profile though at a lower net management fee margin.

Adjusted profit before tax<sup>2</sup> increased by 54% to \$386 million compared to 2018 reflecting higher performance fees and seed investment gains in the year, partially offset by a decline in net management fees which was largely driven by margin compression due to the change in mix during the year.

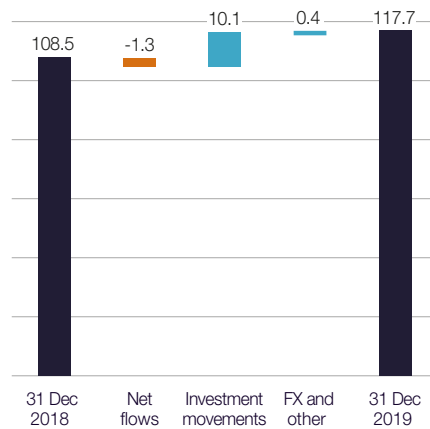
Core profit before tax<sup>2</sup>, one of our financial KPIs, reached a ten year high in 2019, increasing by 62% to \$384 million compared to 2018.

Statutory profit before tax increased by 10% to \$307 million compared to the previous year.

## Performance<sup>1</sup>

2019 was characterised by a rebound in equity markets and most other asset classes as central banks grew more accommodative. It was a strong period for momentum and growth strategies but a more difficult period for valuation-focused strategies.

## FUM<sup>1</sup> movements during 2019 (\$bn)



Against this backdrop, absolute performance across our product categories was positive, which resulted in us delivering \$10.1 billion of investment performance for clients. Our absolute return strategies were up 7%, driven by strong performance from our major quant alternative strategies. Within total return strategies, the AHL TargetRisk strategy delivered very strong performance, up 28.4%, and the Emerging Market Debt Total Return strategy was down 2.8%. Systematic long-only strategies, were up on average 19.1%, having benefited from the rebound in equity markets. Returns in the discretionary long-only strategies, benefited from the performance of the Japan CoreAlpha strategy which was up 9.2%. In addition, the UK and European-focused discretionary strategies delivered strong returns with the continental European strategy up 30.7% and the undervalued assets strategy up 19.3% in the year.

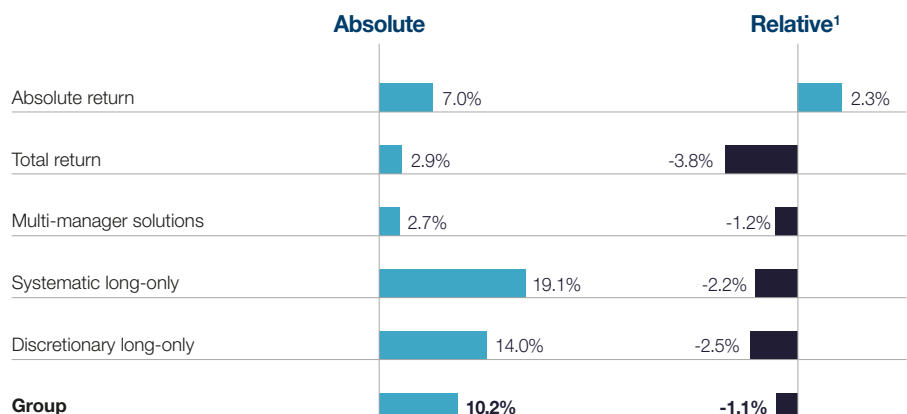
Relative performance across the firm was more mixed, with asset weighted underperformance versus peers<sup>1</sup> across our strategies of 1.1% in the year. Relative outperformance in the absolute return category was driven by our quant alternative strategies up 2.3% versus peers. Across our total return strategies, Alternative Risk Premia continued its strong relative performance since launch and TargetRisk significantly outperformed peers. However, this was offset by underperformance by the emerging market debt strategy due to its bearish positioning. Relative performance of the systematic long-only strategies was weaker with underperformance of 2.2% in the year due to their valuation bias. The Japan CoreAlpha strategy underperformed by 8.9% due to its value bias while the European-focused long-only strategies performed well on a relative basis.

## Progress against strategic priorities

### Strong client relationships

Following excellent flows in 2017 and 2018, the short-term underperformance of some of our strategies, coupled with clients de-risking more generally, impacted our flows in 2019. Despite this, we continued to widen and deepen the long-term relationships with clients and add new relationships with strategically important asset allocators and distributors. As a result of this focus, we continue to see the trend of clients investing in more strategies across the firm, with 72% of FUM at 31 December 2019 relating to clients invested in two or more products, and 45% relating to clients invested in four or more products. Our 50 largest clients are invested in approximately three of our strategies on average. This illustrates the strength and breadth of our offering, and the value of providing clients with a single point of contact who understands them and their unique requirements.

## Absolute and relative performance in 2019



1 Past performance is not indicative of future results. Returns may increase or decrease as a result of currency fluctuations. Performance figures are shown net of representative management and performance fees.

2 The Group's alternative performance measures are outlined on pages 148-151.

### Numeric – a case study

In September 2014, Man Group acquired Numeric, a Boston-based quantitative equity manager with \$15.2 billion of funds under management across a range of long-only and long/short, fundamentally based strategies. From the point of acquisition to the end of 2019, Man Numeric’s FUM have more than doubled to a total of \$35.9 billion, driven by strong absolute performance and flow into both long-only and alternatives strategies. Total net inflows from acquisition to the end of 2019 have been \$10.6 billion.

Man Numeric has helped to expand the Group’s footprint in North America with 7% of FUM from clients in the Americas in 2019 increasing to 28% at the end of 2019. Since the acquisition, the Man Numeric team has worked closely with our other investment engines, in particular Man AHL and Man FRM, and has very successfully developed and marketed our Alternative Risk Premia strategy, which has grown to \$12.8 billion of assets and has had strong relative and absolute performance since launch.

The initial consideration was \$219 million and an additional \$154 million was paid out on the fifth anniversary of completion in 2019. The acquisition has provided strong returns for shareholders. Total net management and net performance fee revenues from Man Numeric over that period have been \$684 million.

More recently, clients have been reducing their active equity exposure and have been increasing their allocations to bonds. This is an area where historically we have been under-represented but over the last year we have continued to build out our credit offering and have added a number of teams covering strategic bond strategies, high yield opportunities and European real estate debt. Whilst this is a near-term cost, we expect it to add over time to FUM and profits as well as diversify our product range still further.

#### Innovative investment strategies

Developing innovative investment strategies across our business and enhancing our existing offering for clients is core to the Group’s strategy.

We continue to make progress in innovating and building a more diversified business. An example of this is our TargetRisk strategy, which applies Man AHL’s expertise in systematic alternative investment to a long-only approach. The strategy currently manages \$2.7 billion and has significantly outperformed its peers. Within our discretionary business, we are embedding quantitative techniques to enrich the fundamental process of the portfolio managers.

Following the centralisation of much of our trading and execution function last year, we continue to focus on building our own firm-wide centre of execution excellence in trading, trading technology and trading research. Efficient execution is key to the success of our business and to the delivery of performance for clients. It enables them to capture more of the alpha that our portfolio managers

are generating. It also enables continued innovation, for example, the expanded use of machine learning, which is helping us to trade more efficiently on behalf of our clients and to capture more of the alpha that our portfolio managers are seeking.

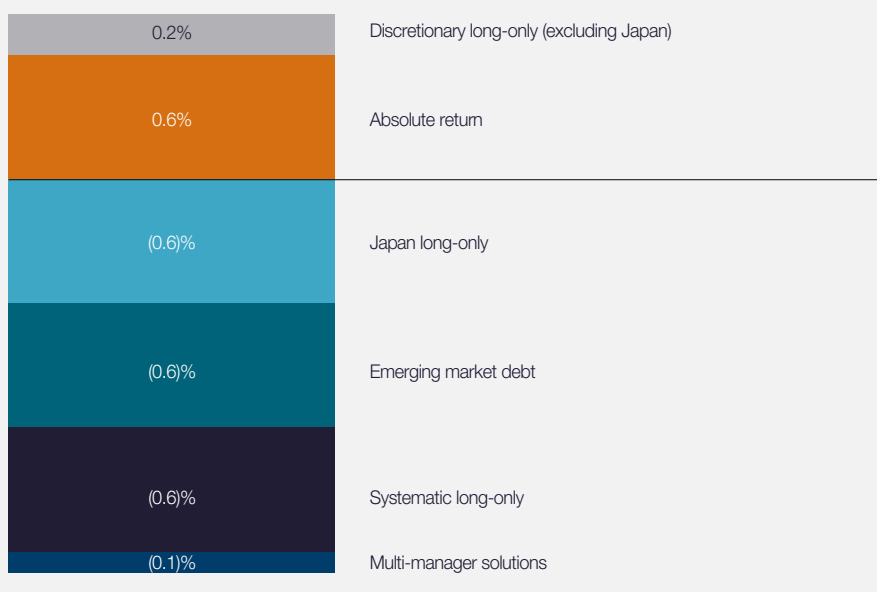
Leveraging our firm’s technology and data science expertise, we have continued to build out our responsible investment capabilities. We introduced Man Group ESG Analytics, our proprietary tool allowing investment teams to assess ESG risk across both traditional and alternative investment strategies, and which integrates an ESG data scoring system developed in-house by Man Numeric. Moreover, the Responsible Investment team has been expanding and enhancing Man Group’s stewardship and corporate action efforts, developing processes that allow for engagement in a way that is practical, achievable and relevant to the firm’s diverse investment strategies.

#### 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 and trading technology, compliance, legal, human resources, finance 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 to

#### Relative performance (%)



expand our product and geographic reach. In May 2019 we successfully completed the corporate reorganisation announced in October 2018. Our structure is now consistent with other global asset managers, providing us with more flexibility in financing the business. In line with other global asset managers, we view our net financial assets<sup>1</sup> as the best summary of our balance sheet position. The reorganisation has enabled us to look at more efficient ways of financing the seeding book and provided us with greater capital flexibility going forward.

### 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 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 separate to HR which focuses on helping our people achieve their potential, individually and as teams.

We also believe that by celebrating diversity and building an inclusive working environment, we can attract the best talent to our business and encourage original and collaborative thinking with multiple and differing perspectives which position us to deliver 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. We operate Drive, an employee-led diversity and inclusion network, which seeks to inform, support and inspire our people.

Through reporting annually on our commitment to diversity and inclusion, we assess and monitor the progress of our strategy in this area over time. We introduced Paving the Way, our campaign for enhancing diversity at the firm and across the industry more broadly. When it comes to achieving real change in diversity in the industry, there is no doubt that a less diverse pool of potential candidates is an inhibitor. We believe that we can, and must, take steps to address this 'pipeline' issue proactively. We have introduced a number of initiatives to support this in recent years, and our Paving the Way campaign seeks to build our efforts in this area.

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 introduced a target of at least 25% female representation in senior management roles by December 2020. We are pleased to report a positive trajectory, having seen the proportion of women in senior management roles increase from 16% in 2016 to 20% at the end of 2019. We previously set a target of at least 25% by the end of 2020 and we expect to increase this target by at least 1% per year in the years ahead.

We are pleased with the number of employees who have taken enhanced parental leave in 2019. We updated our policy in 2018 so that all new parents at the firm globally are entitled to 18 weeks' full pay. This is not dependent on location or gender, and applies to both biological and non-biological new parents. We believe that these initiatives will allow 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 2019.

### Outlook<sup>3</sup>

Over the course of the year, we saw continued inflows into our alternative strategies, although overall we recorded a small outflow as our clients reduced their equity allocations. In the fourth quarter, we returned to net inflows and that momentum has continued into this year.

We continue to enhance the aspects of our business that differentiate us by investing in talent and innovative new technologies, enriching our culture, diversifying our investment capabilities, and developing deep client relationships. In doing so, we remain well positioned to help our clients meet their investment goals and thus deliver sustainable value for our shareholders.

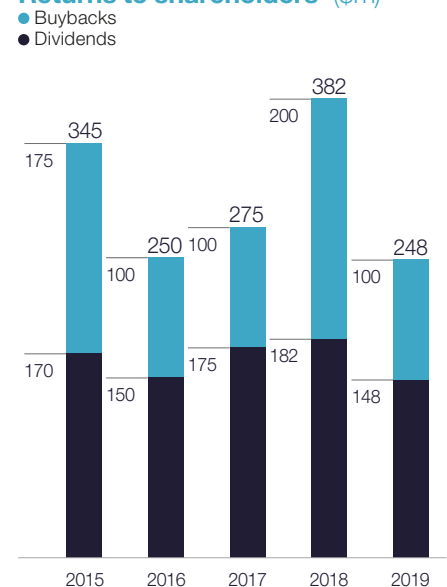
**Luke Ellis**  
Chief Executive Officer

**\$1.5bn**  
returned to shareholders  
over five years

**30%**  
of revenues over  
that period

**~50%**  
of current  
market cap

### Returns to shareholders<sup>2</sup> (\$m)



<sup>1</sup> The Group's alternative performance measures are outlined on pages 148-151.

<sup>2</sup> Dividends are shown for the related financial year and buybacks are shown in the year of announcement

<sup>3</sup> Past performance is not indicative of future results. Returns may increase or decrease as a result of currency fluctuations. Performance figures are shown net of representative management and performance fees.

**Our strategy**

# Driving sustainable growth and generating value

**We have four strategic pillars that drive value for the Group.**



**We are an active investment management firm focused on delivering attractive performance and client portfolio solutions.**

The backdrop for active asset managers today sees increasing allocations to passive investment strategies and a decline in average revenue margins. Our strategic priorities focus on what drives the success of our business against that industry backdrop. Firstly, we need **innovative investment strategies** to deliver outperformance as markets evolve. Genuinely active managers need to outperform or clients will move to competitors, whether active or passive. Secondly, we need **strong client relationships** to understand clients' needs and ensure we are offering solutions that meet them. Thirdly, we have to have **efficient and effective operations**, particularly given that backdrop of declining revenue margins, to translate performance for clients to growth in profitability. If we deliver on our first three priorities then we will grow our management fee and performance fee profitability over time. These profits drive our fourth priority of **returns to shareholders**, whether through dividends, capital returns or reinvestment in the business.

Our strategies underperformed competitors in 2019, while also delivering strong absolute gains for clients. We remain confident in the strength of our investment capability. We have outperformed by 6.2% over 5 years, and we devote significant resources to research and innovation. We also saw small outflows from clients during the year. This reflects weaker short-term performance compared to competitors and the broader outflows from the active industry. We have seen \$20 billion of total net inflows over the past three years against a backdrop of industry outflows. We are continuing to invest in our client servicing capability, particularly in North America to continue to outperform competitors. We remain focused on efficiency, delivering a reduced compensation ratio and fixed cash costs below guidance in 2019. Our strong absolute performance for clients has also delivered strong profit growth, with core profitability at a ten year high in 2019. That profit growth supports our returns to shareholders with \$1.5 billion returned through dividends or buybacks in the past 5 years.

The Group's alternative performance measures are outlined on pages 148-151.

**Strategic priority**

**Innovative investment strategies**

**Description**

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

**How we performed in 2019**

- Absolute performance was strong in 2019 with \$10.1 billion of investment gains for clients, and closing FUM of \$117.7 billion
- Man GLG performance was impacted by underperformance of larger valuation-focused strategies, reflecting the broader market environment
- Continued growth in Man AHL, with TargetRisk strategy being a notably strong performer
- Appointed a Chief Investment Officer for ESG at Man Group to further develop our capabilities and strengthening our commitment to ESG
- Number of new strategies seeded with a focus on income-generating strategies, whether quantitative or discretionary. In addition we completed the work developing a multi-strategy hedge fund using capabilities from across the firm
- Improvement in trading and execution process continues, delivering improved outcomes for clients

**+28.4%**  
**performance of AHL**  
**TargetRisk in 2019**

**Objectives for 2020**

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





For more information on how KPIs relate to our strategy go to page 24



For more information on how Risks relate to our strategy go to page 34

### Strategic priority

## Strong client relationships

#### Description

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 2019

- Continued growth in clients investing across our products, with 72% of FUM from clients in two or more products, 45% in four or more products
- Hired additional talent in sales and provided improved development and training across all levels
- Effort to increase the delivery of content from around the firm to clients to broaden and strengthen client relationships

## \$22.3bn

cumulative net flows over the past 3 years

#### Objectives for 2020

- 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
- Further develop and expand North American distribution capabilities

### Strategic priority

## Efficient and effective operations

#### Description

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

#### How we performed in 2019

- Fixed cash costs were better than target in 2019
- Investment in our technology continued on both investment and support side of the firm. Successful go live and adoption of new finance and HR system
- Man Group's investment managers trade across many different asset classes, geographies and product styles. We invest in technology to improve performance for clients through central trading and execution
- Culture remains a key focus for the firm with continued effort devoted to our Drive networks and Paving the Way campaign. We monitor culture through a regular survey, Board engagement and day-to-day management focus

## 43%

compensation ratio, versus 48% in 2018, driven by significant increase in performance fees

#### Objectives for 2020

- Continued focus on our cost base to ensure we run the business efficiently while addressing risks and opportunities
- Selective investment in certain areas of the Group, particularly in Man GPM and distribution in North America to accelerate our growth in private markets and extend our reach among North American clients

### Strategic priority

## Returns to shareholders

#### Description

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

#### How we performed in 2019

- Completed corporate reorganisation which provides greater flexibility for the Group going forward
- \$214 million of adjusted performance fee profit before tax<sup>1</sup> generated in 2019 vs \$34 million in 2018
- Completed the \$100 million share repurchase announced in October 2018
- In October 2019 announced our intention to repurchase a further \$100 million of shares
- Refinanced and converted our revolving credit facility which is now ESG-linked

## \$1.5bn

returned to shareholders through dividends and buybacks over the past 5 years

#### Objectives for 2020

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

<sup>1</sup> The Group's alternative performance measures are outlined on pages 148-151.

# Measuring our success

**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.**

For more information see the Directors' Remuneration Report on [pages 80–84](#).

## Investment performance

Target

**0-2%**

**Target not met**



**What we measure**

The asset weighted performance<sup>1</sup> 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.

**How we performed**

We had asset weighted underperformance of 1.1% in 2019, despite strong absolute performance, and therefore we did not achieve this KPI target.

**Link to strategy**

- [Innovative investment strategies](#)
- [Returns to shareholders](#)

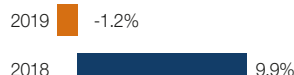
[Go to page 19](#)

## Net flows

Target

**1-6%**

**Target not met**



**What we measure**

Net flows<sup>1</sup> 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.

**How we performed**

Net outflows of 1.2% in 2019 are below the target range, and indicative of the challenging 2019 fund raising environment for active long-only equity strategies. Net flows of 9.9% and 15.8% in 2018 and 2017 respectively were particularly strong.

**Link to strategy**

- [Innovative investment strategies](#)
- [Strong client relationships](#)
- [Returns to shareholders](#)

**Change to net flows KPI**

The net flows KPI will change to relative net inflows for the 2020 financial year, in order to reflect benchmark performance against industry peers. This KPI will therefore better represent performance that management can control. This aligns with the Directors' Remuneration policy (see [page 84](#)).

[Go to page 28](#)

<sup>1</sup> Details of the calculation of our alternative performance measures are provided on [pages 148–151](#).

<sup>2</sup> The target range for 2018 was \$272m–\$473m. The target range for each financial year is established by the Board upon approval of the Group's Medium Term Plan.

## Core profit before tax

Target

**\$234m-\$388m**

**Target met**



### Link to strategy

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

### What we measure

Core profit before tax<sup>1</sup> is a measure of overall profitability and cash generation. This measure excludes legacy income streams in relation to guaranteed products 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.

### How we performed

Core profit before tax of \$384 million for 2019 was at the upper end of the target range, reflecting our strong performance fee generation.

 [Go to page 31](#)

## Adjusted management fee EPS growth

Target

**5-12%**

**Target not met**



### Link to strategy

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

### What we measure

Adjusted management fee EPS<sup>1</sup> growth in the year measures the overall effectiveness of our business model, and drives both our dividend policy (outlined on page 33) and the value generation for shareholders from our more stable earnings stream.

### How we performed

The adjusted management fee EPS decline of 16.9%, from 11.8 cents to 9.8 cents, did not meet the target range for 2019. The decline in adjusted management fee EPS is largely driven by the lower net management fee revenues due to a decline in net management fee margins and certain non-operating headwinds, partially offset by the impact of share repurchases which reduce the number of shares.

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Returns to shareholders over five years

**\$1.5bn**

Core profit before tax<sup>1</sup>

**\$384m**

**+62%**

2018: \$237m

Performance fee revenues

**\$325m**

**+156%**

2018: \$127m



**We continue to generate and return strong cash profits to shareholders, with the value of our performance fee earning capabilities reflected in 2019.**

**Mark Jones**

Chief Financial Officer

## Overview

Our funds under management grew by \$9.2 billion to \$117.7 billion in 2019, largely due to positive absolute performance for our clients of \$10.1 billion, partially offset by net outflows of \$1.3 billion driven by our long-only strategies off the back of weaker relative performance in the short term. Performance fee generation was strong with \$325 million earned in the year compared to \$127 million in 2018. Our relative performance was around 1.1% below our peers, with absolute return outperforming but our long-only strategies underperforming given their valuation focus and the more challenging environment for such strategies.

Net management fee revenue<sup>1</sup> was \$753 million for the year, a decrease of 5% from prior year despite average FUM remaining flat. This was largely driven by margin compression due to the change in mix during the year. Performance fee revenues of \$325 million were largely generated by Man AHL's Dimension, Alpha and Evolution strategies. We made a gain of \$20 million on our seed book, compared to a loss of \$5 million in 2018.

Total costs were \$710 million, up from \$657 million in 2018, largely as a result of higher performance fee related variable compensation and higher fixed compensation due to increases in headcount, as well as non-operating impacts from foreign exchange headwinds on fixed costs (due to a less favourable US dollar to sterling hedged rate in 2019) and the higher accounting charges as a result of the adoption of the new IFRS 16 leases accounting standard from 2019 (see [page 30](#) for further details).

We are pleased to report the successful completion of a number of specific initiatives during 2019. In addition to the Group reorganisation which took effect in May 2019, we successfully implemented a new cloud-based finance and HR system. We are proud to have delivered these projects, which adjust our structure to align with the global nature of our business today, and ensure we are using technology to improve how we operate all facets of the firm. We also refinanced the Group's revolving credit facility in December 2019, which now incorporates specific ESG targets (see further detail on [page 54](#)).

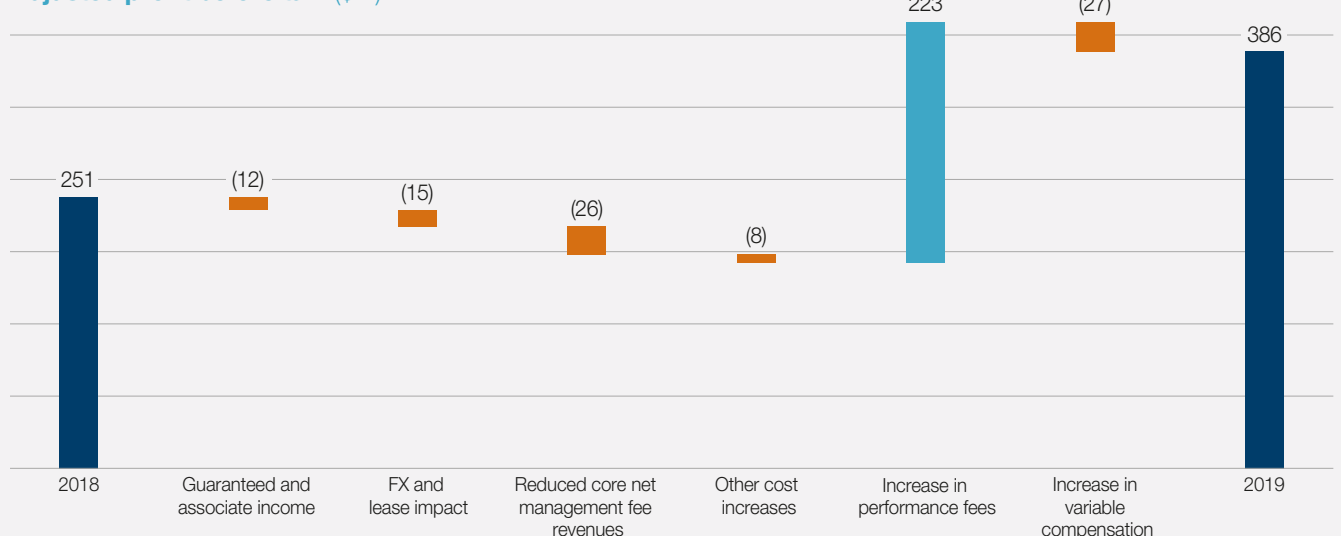
	Year ended 31 December 2019	Year ended 31 December 2018
Statutory profit before tax	<b>\$307m</b>	\$278m
Statutory earnings per share	<b>18.4¢</b>	17.0¢
Adjusted profit before tax <sup>1</sup>	<b>\$386m</b>	\$251m
Core profit before tax <sup>1</sup>	<b>\$384m</b>	\$237m
Adjusted earnings per share <sup>1</sup>	<b>21.1¢</b>	13.5¢
Adjusted management fee profit before tax <sup>1</sup>	<b>\$172m</b>	\$217m
Adjusted performance fee profit before tax <sup>1</sup>	<b>\$214m</b>	\$34m

Statutory profit before tax increased by \$29 million from 2018 driven by the higher performance fee profits in 2019. Please note 2018 included a non-recurring gain of \$113 million on the sale of our stake in Nephila. The increase in adjusted profit before tax<sup>1</sup> and adjusted earnings per share<sup>1</sup> was driven by our performance fees. Core profit before tax<sup>1</sup>, which excludes legacy business profits, reached a ten year peak in 2019 (see [page 31](#)).

Our balance sheet remains strong and liquid, with net tangible assets of \$739 million or 48 cents per share at 31 December 2019, and net financial assets<sup>1</sup> of \$674 million (see [page 33](#) for further detail). We have a net cash (cash less borrowings) position of \$220 million (2018: \$194 million) and continue to be strongly cash generative, with operating cash flows of \$483 million (2018: \$319 million). We have reduced certain liabilities in 2019 following the repayment of our Tier 2 notes of \$150 million, as well as the final Man Numeric earn-out payment of \$154 million which completes this successful 2014 acquisition (see [page 20](#) for more detail). We have returned over \$1.5 billion to shareholders via dividends and share repurchases over the past five years (see [page 21](#)) and continue to focus on ensuring the business generates strong cash flows which we can in turn reinvest or return to shareholders.

1 The Group's alternative performance measures are outlined on [pages 148–151](#).

### Adjusted profit before tax<sup>1</sup> (\$m)



28 **Chief Financial Officer's review** continued

## Funds under management (FUM)

		FUM at 31 December 2018	Net inflows/ (outflows)	Investment movements	Foreign currency and other movements	FUM at 31 December 2019
\$bn						
<b>Alternative</b>	Absolute return	28.9	(0.6)	1.8	0.4	<b>30.5</b>
	Total return	22.5	4.6	0.4	(0.5)	<b>27.0</b>
	Multi-manager solutions	13.5	(0.4)	0.5	0.4	<b>14.0</b>
	<b>Total</b>	<b>64.9</b>	<b>3.6</b>	<b>2.7</b>	<b>0.3</b>	<b>71.5</b>
<b>Long-only</b>	Systematic	24.7	(1.8)	4.8	(0.2)	<b>27.5</b>
	Discretionary	18.8	(3.0)	2.6	0.3	<b>18.7</b>
	<b>Total</b>	<b>43.5</b>	<b>(4.8)</b>	<b>7.4</b>	<b>0.1</b>	<b>46.2</b>
<b>Total excluding Guaranteed</b>		<b>108.4</b>	<b>(1.2)</b>	<b>10.1</b>	<b>0.4</b>	<b>117.7</b>
<b>Guaranteed</b>		<b>0.1</b>	<b>(0.1)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>		<b>108.5</b>	<b>(1.3)</b>	<b>10.1</b>	<b>0.4</b>	<b>117.7</b>

**Absolute return**

Absolute return FUM increased by 6% largely as a result of positive investment performance, driven by AHL's momentum strategies, Evolution, Dimension and Alpha. Outflows from Man GLG's alternative strategies were partially offset by inflows into Man AHL Institutional Solutions. Other movements primarily relate to leverage changes.

**Total return**

Total return FUM increased by 20% due to net inflows of \$4.6 billion. Net inflows included \$2.8 billion into alternative risk premia strategies and \$1.5 billion into Man AHL's TargetRisk strategy, with these strategies also generating the positive absolute performance in the year. Our global private markets FUM remained broadly flat. Other movements relate to CLO and global private markets maturities during the year.

**Multi-manager solutions**

Multi-manager solutions FUM increased by \$0.5 billion, with positive investment performance from infrastructure mandates and other movements, partially offset by net outflows. Net outflows are largely due to a \$1.3 billion redemption from a segregated mandate being partially offset by inflows of \$1.0 billion into infrastructure mandates.

**Systematic long-only**

Systematic long-only FUM increased by 11% to \$27.5 billion, driven by positive absolute investment movements across all strategies. Net outflows of \$1.8 billion were from institutional clients across a range of strategies, off the back of weaker relative short-term performance.

**Discretionary long-only**

Discretionary long-only FUM ended the year broadly flat. Net outflows of \$3.0 billion were mainly due to redemptions from Man GLG's Japan CoreAlpha and US equity strategies and single investor mandates. Equity market moves were the main driver for positive absolute performance of \$2.6 billion.

**Guaranteed products**

Guaranteed product FUM reduced from \$100 million to \$39 million during the year as a result of maturities.

## Revenue

### Net management fee margins and revenue

The Group's total net management fee margin<sup>1</sup> decreased by three basis points during the year to 67 basis points, with the reduction continuing to be driven by mix effects.

Within their categories, net management fee margins stayed broadly in line with the prior year, with the exception of absolute return and multi-manager solutions which continued their gradual decline over recent years. The absolute return net management fee margin decreased by seven basis points to 120 basis points as a result of the continued mix shift towards institutional assets which are at a lower margin. The multi-manager solutions net management fee margin decreased to 31 basis points in 2019, from 36 basis points in 2018, as a result of Man FRM's continued shift towards a solutions provider from traditional fund of funds manager. We expect this to decline further as the shift towards lower margin services continues. The systematic run rate net management fee margin has declined, following a period of stability, as clients adjusted their allocations in the latter part of the year.

The Group's run rate net management fee margin<sup>1</sup> at 31 December 2019 was 65 basis points, and the run rate net management fee revenue<sup>1</sup> (which applies internal analysis of run rate margins to 31 December 2019 FUM) was \$771 million (31 December 2018: \$751 million). This has increased from 2018 as a result of higher closing FUM, partially offset by a decrease in run rate net management fee margin.

Core net management fee revenue<sup>1</sup> decreased by 3% to \$751 million in 2019, driven by the decline in our average margin as outlined opposite. We sold our remaining stake in Nephila in late 2018, generating a gain on sale of \$113 million, and therefore no longer receive a share of associate profits.

\$m	Year ended 31 December 2019	Year ended 31 December 2018
Absolute return	354	370
Total return	139	111
Multi-manager solutions	43	54
Systematic long-only	93	97
Discretionary long-only	122	145
Core net management fee revenue <sup>1</sup>	751	777
Guaranteed	2	7
Share of post-tax profit of associates	–	7
Net management fee revenue <sup>1</sup>	753	791

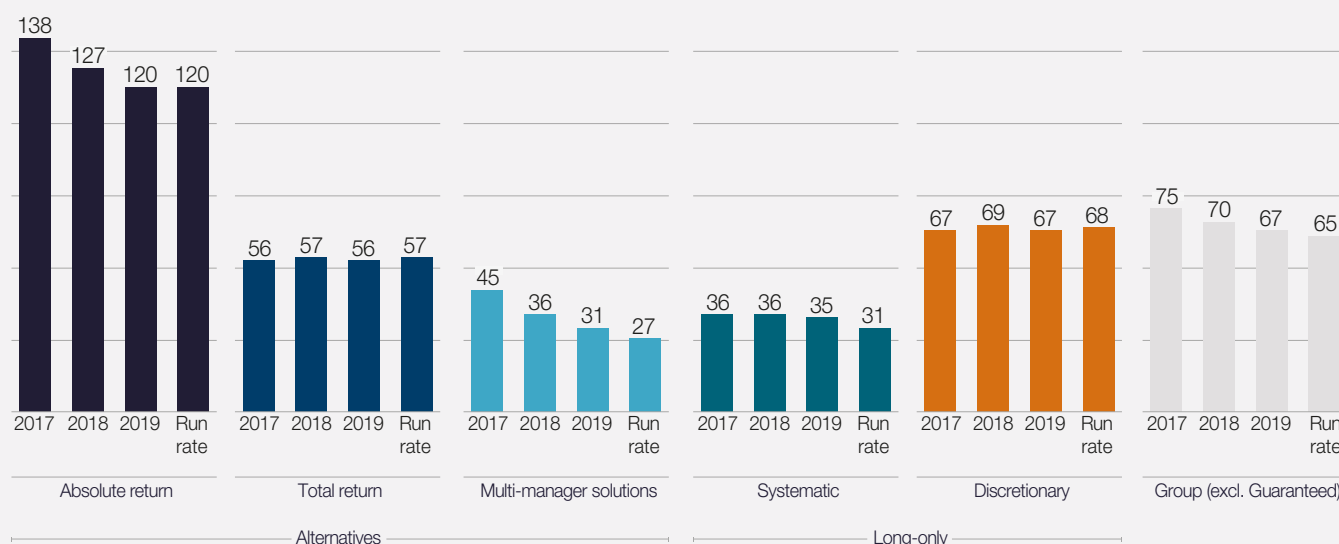
### Performance fees and investment gains and losses

Performance fees for the year were \$325 million compared to \$127 million in 2018, which included \$291 million from Man AHL (2018: \$92 million), \$34 million from Man GLG (2018: \$31 million), with no performance fees from each of Man Numeric (2018: \$2 million), Man FRM (2018: \$2 million) and Man GPM (2018: nil).

Investment gains of \$20 million (2018: losses of \$5 million) primarily relate to gains on seed investments. The seeding book was \$514 million at year end, down from \$662 million in 2018, partially as a result of the use of total return swaps whichhough reducing our investment, mean we retain the risk exposure (see page 32). We had \$62 million of exposure via total return swap (TRS) at year end.

<sup>1</sup> The Group's alternative performance measures are outlined on pages 148–151.

### Net management fee margin<sup>1</sup> (bps)



## 30 Chief Financial Officer's review continued

## Summary income statement

\$m	Year ended 31 December 2019	Year ended 31 December 2018
Gross management and other fees <sup>1</sup>	791	835
Share of post-tax profit of associates	–	7
Distribution costs	(38)	(51)
Net management fee revenue	753	791
Performance fees <sup>1</sup>	325	127
Gains/(losses) on investments <sup>1</sup>	20	(5)
Sub-lease rental income <sup>2</sup>	14	–
Net revenue	1,112	913
Asset servicing	(55)	(51)
Fixed compensation <sup>3</sup>	(193)	(179)
Variable compensation	(284)	(257)
Other costs – cash costs <sup>1,2</sup>	(131)	(146)
Other costs – depreciation and amortisation <sup>2</sup>	(47)	(24)
Total costs	(710)	(657)
Net finance expense <sup>2,3</sup>	(16)	(5)
Adjusted profit before tax <sup>3</sup>	386	251
Adjusting items <sup>3</sup> (see page 31)	(79)	27
Statutory profit before tax	307	278
Adjusted management fee profit before tax <sup>3</sup>	172	217
Adjusted performance fee profit before tax <sup>3</sup>	214	34
Core profit before tax <sup>3</sup>	384	237
Statutory diluted EPS	18.4¢	17.0¢
Adjusted management fee EPS <sup>3</sup>	9.8¢	11.8¢
Adjusted EPS <sup>3</sup>	21.1¢	13.5¢

1 Management and other fees, performance fees and other costs exclude amounts for line-by-line consolidated fund entities (per Group financial statements Note 13.2 on page 128), with these reclassified to gains/(losses) on investments together with the third-party share.

Refer to pages 148–151 for details of the Group's alternative performance measures.

2 The 2018 comparatives have not been restated as a result of the adoption of the new leases accounting standard (IFRS 16) in 2019. See further detail below.

3 The Group's alternative performance measures are outlined on pages 148–151.

## Lease accounting change – impact on other costs, depreciation and net finance expense

The IFRS 16 change in accounting for leases has brought our office lease commitments onto the Group's balance sheet in 2019 and changed the classification and recognition profile of associated net costs. Net rental charges for leased premises of around \$15 million in 2018, which were previously included net within other costs, are from 2019 recognised through depreciation (\$20 million), interest expense (\$14 million) and sub-lease rental income (\$14 million). Although this accounting change does not impact the Group's cash flows, the new framework has increased the Group's net lease related costs by \$5 million in 2019.

In addition, the balance sheet recognition of the lease liability may give rise to accounting foreign exchange exposure in US dollars (the Group's reporting currency), largely driven by our Riverbank House premises which is payable in sterling and expires in 2035. Given this is an unrealised, non-cash impact, any unrealised foreign exchange movements arising from the revaluation of these lease liabilities, and the associated deferred tax, are classified as adjusting items (see page 31). Additional detail on the new leases accounting standard is provided in Note 1 to the Group financial statements (page 117).

We anticipate our main sub-tenant in our London office may move to new premises in 2020. This would require some project expenditure and increase our sub-let exposure, which we expect would primarily impact in 2021.

## Costs

## Asset servicing

Asset servicing costs vary depending on transaction volumes, the number of funds, and fund NAVs. Asset servicing costs were \$55 million (2018: \$51 million), which equates to around 7 basis points of average FUM, excluding systematic long-only and Man GPM strategies.

## Compensation costs

Total compensation costs, excluding adjusting items<sup>3</sup>, were \$477 million for the year, up by 9% compared to \$436 million in 2018. Overall compensation costs increased as a result of higher performance fee revenues, partially offset by lower management fee revenues. Fixed compensation increased by 8% as a result of the less favourable hedged US dollar to sterling rate in 2019 (1.36 compared to 1.29 in 2018) and higher average headcount, incorporating the full year impact of investment in the business during 2018. The overall compensation ratio<sup>3</sup> decreased to 43% in 2019 from 48% in 2018, which reflects the significant increase in performance fee revenue generated in 2019. The Group's compensation ratio is generally between 40% and 50% of net revenues, depending on the mix and level of revenue. We expect to be at the higher end of the range in years when absolute performance fees are low and the proportion from Man Numeric and Man GLG is higher, and conversely we expect to be at the lower end of the range when absolute performance fees are high and the proportion from Man AHL is higher.

## Other costs

Other costs, excluding adjusting items as outlined on page 31, were \$178 million for the year (2018: \$170 million). Within these, other cash costs decreased largely as a result of IFRS 16 which drove reclassification of around \$15 million of net lease costs. Depreciation and amortisation increased by \$23 million in 2019, driven by \$20 million of lease related depreciation as well as continued capital investment across our operating platforms in recent years.

We also incurred a further \$7 million of other costs in relation to completion of the Group's corporate reorganisation in May 2019, in addition to the \$3 million recognised in 2018, which are included as adjusting items on page 31.

As previously communicated, we are no longer hedging our fixed costs to US dollars from 2020 onwards, and therefore our US dollar cost base will be impacted by currency moves during the year from now on. For the year to 31 December 2019, we had sterling denominated net management fee revenues of around \$114 million and costs of \$190 million.

## Net finance expense

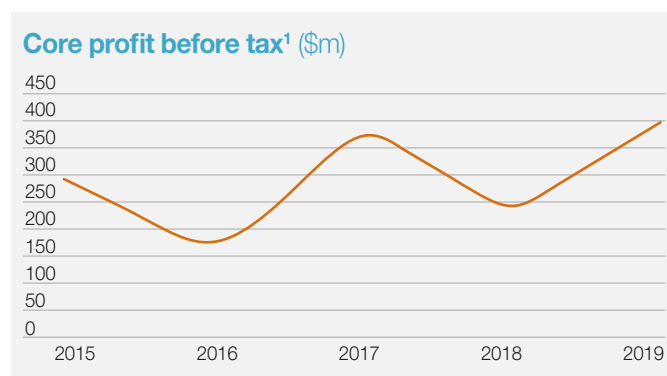
Net finance expense, excluding the unwind of discount on contingent consideration which is classified as an adjusting item<sup>1</sup>, increased to \$16 million from \$5 million in 2018 due to an additional \$14 million of unwind of discount recognised on the Group's lease liabilities (see opposite), partially offset by a decrease due to a partial year of interest on the Tier 2 notes which were repaid in September 2019. We expect the Tier 2 repayment together with the Group's use of TRSs from 2019 (see page 33) to generate around \$5 million of annual net interest savings.



## Adjusted profit before tax and core profit before tax

Adjusted profit before tax<sup>1</sup> was \$386 million compared to \$251 million in 2018. The majority of this relates to core profit before tax<sup>1</sup> of \$384 million, which excludes legacy business profits from guaranteed products and associate income from adjusted profit before tax in order to better represent our core business, which increased by \$147 million from \$237 million in 2018. In 2019 our core profitability reached a ten year peak (see below), driven by our strong performance fee generation (further detail is provided in the KPIs section on [page 25](#)).

Adjusting items<sup>1</sup> pre-tax in the year totalled a net expense of \$79 million (2018: net gain of \$27 million), 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<sup>1</sup>

	Year ended 31 December 2019
\$m	
Revaluation of contingent consideration creditors	<b>37</b>
Unwind of contingent consideration discount	<b>(18)</b>
Unrealised foreign exchange movements on lease liabilities	<b>(10)</b>
Compensation restructuring costs	<b>1</b>
Other restructuring costs	<b>(7)</b>
Gain on sale of Nephila	<b>1</b>
Amortisation and impairment of acquired intangible assets	<b>(83)</b>
<b>Total adjusting items (excluding tax)</b>	<b>(79)</b>
Recognition of US deferred tax asset (see opposite)	<b>27</b>

## Tax

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 15% (2018: 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 adjusted tax rate<sup>1</sup> was 15% (2018: 14%).

Tax on statutory profit for the year was \$22 million (2018: \$5 million), which equates to a statutory effective tax rate of 7% (2018: 2%). The increase in the tax rate is largely due to the gain on the sale of Nephila in 2018 not being subject to tax under UK tax legislation, partially offset by higher US deferred tax asset recognition in 2019.

In the US, we have accumulated federal tax losses as well as tax deductible goodwill and intangibles of \$89 million (2018: \$108 million), which can be offset against future US profits and will therefore reduce taxable profits. The Group has recognised all \$89 million of these US deferred tax assets on the balance sheet at 31 December 2019 (2018: \$62 million recognised), which has resulted in a \$27 million credit to the tax expense in the year (2018: \$20 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, with the adjusted tax rate<sup>1</sup> remaining at nil until cash taxes are payable, as movements in the deferred tax asset are classified as an adjusting item<sup>1</sup>. As a result of the earlier recognition of these US deferred tax assets the 2020 statutory effective tax rate on US profits is expected to be materially in line with the prevailing US federal tax rate.

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. As a result of the recognition of the US deferred tax assets in full, should the earnings profile of the Group in the US increase significantly in the future, the adjusted 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 2020 is currently expected to remain consistent with 2019, dependent on the factors outlined above.

## 32 Chief Financial Officer's review continued

## Cash earnings

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 \$465 million during the year and cash balances at year end were \$220 million<sup>1</sup>.

\$m	Year ended 31 December 2019	Year ended 31 December 2018
Opening cash <sup>1</sup>	344	356
Operating cash flows before working capital movements, excluding contingent consideration	465	311
Working capital movements (excluding seeding)	(127)	201
Working capital movements – seeding <sup>1</sup>	145	(193)
Payment of dividends	(152)	(189)
Share repurchase (including costs)	(92)	(211)
Repayment of Tier 2 notes	(150)	–
Payment of acquisition related contingent consideration	(169)	(25)
Proceeds from sale of investment in Nephila	1	140
Other movements	(45)	(46)
<b>Cash at year end<sup>1</sup></b>	<b>220</b>	<b>344</b>

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

Working capital movements in 2019 principally relate to the year-on-year increase in performance fee receivables and a reduction in the Group's seeding portfolio (which includes the impact of the Group's use of total return swaps). We had two significant one-off cash outlays in the year as a result of repayment of the Tier 2 notes and our final deferred consideration payment in relation to the Group's 2014 acquisition of Numeric.

As at 31 December 2019, the Group's cash, less those balances ring-fenced for regulatory purposes, amounted to \$186 million and the undrawn committed revolving credit facility, which was refinanced in December 2019 and now matures in 2024, was \$500 million. The management of liquidity is explained in Note 12 to the Group financial statements.

## Balance sheet

The Group has a strong and liquid balance sheet. Fees and other receivables have increased as a result of the higher level of performance fees earned in December compared to the prior year. Payables have decreased due to the final Numeric earn-out payment, partially offset by an increase in compensation accruals. The decrease in investments in funds is driven by seeding investments, as outlined below. As outlined on page 30, the adoption of IFRS 16 has led to a gross up of the Group's balance sheet with a right-of-use lease asset and associated lease liability being recognised for the first time in 2019 (resulting in a net liability position of \$98 million at 31 December 2019).

\$m	31 December 2019	31 December 2018
Cash and cash equivalents <sup>2</sup>	220	344
Fee and other receivables <sup>2</sup>	424	286
Payables <sup>2</sup>	(570)	(733)
Net investments in fund products and other investments <sup>2</sup>	615	752
Pension asset	16	24
Right-of-use lease asset	209	–
Leasehold improvements and equipment	40	46
<b>Total tangible assets</b>	<b>954</b>	<b>719</b>
Borrowings	–	(150)
Lease liability	(307)	–
Net deferred tax asset	92	60
<b>Net tangible assets<sup>3</sup></b>	<b>739</b>	<b>629</b>
Goodwill and other intangibles	885	964
<b>Shareholders' equity</b>	<b>1,624</b>	<b>1,593</b>

<sup>2</sup> Cash and cash equivalents, fees and other receivables and payables balances exclude 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 128).

<sup>3</sup> Equates to net tangible assets per share of 48 cents (2018: 39 cents).

## Seeding investments

Man Group uses capital to invest in new products to assist in the growth of the business. At 31 December 2019, the Group's seeding investments were \$514 million (refer to Note 13 to the Group financial statements), which have decreased from \$662 million at 31 December 2018 as a result of the use of total return swaps to finance certain seed investments (total exposure of \$62 million at 31 December 2019) and other net decreases as a result of funds being marketed to clients.

## Capital management

### Capital management, including dividends and share repurchases

We successfully reorganised the Group’s structure in May 2019, with Man Group’s worldwide group consequently no longer subject to UK consolidated supervision, consistent with other global asset managers. This has provided us with more flexibility in financing the business, and led to the calling of our \$150 million Tier 2 notes in September as we no longer require qualifying capital instruments to finance the business. In addition, we have started to use total return swaps in financing some of our seed book, which has the effect of releasing liquidity while maintaining the risk exposure and commercial benefit of our seeding programme.

During the year we completed the \$100 million share repurchase announced in October 2018, and in October 2019 announced our intention to repurchase a further \$100 million of shares (\$29 million of shares had been repurchased at 31 December 2019).

We continue to generate strong cash flows. Adjusted management fee EPS<sup>1</sup> 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 the 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, the Group expects to generate further significant capital over time, primarily from net performance fee earnings. We actively manage Man Group’s 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 returning 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 \$825 million through dividends and announced \$675 million of share buybacks for shareholders (see [page 21](#)).

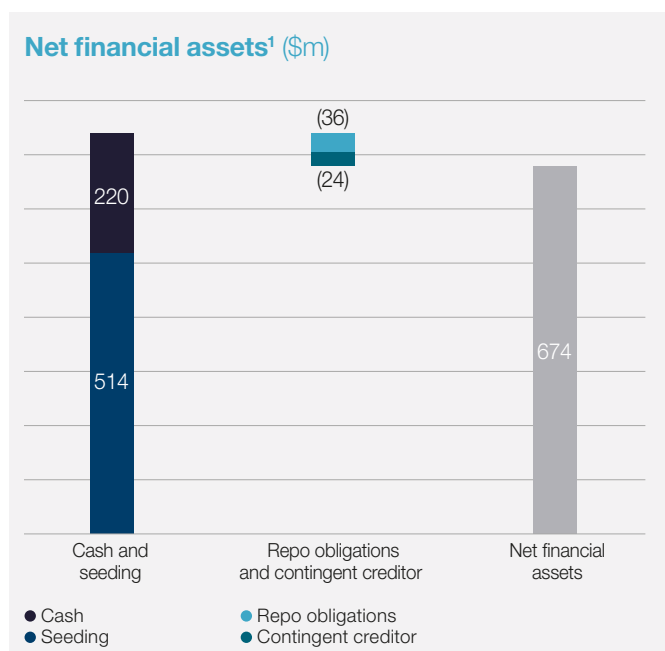
We have a capital and liquidity framework which allows us to invest in the growth of our business. We utilise capital to support the operation of the investment management process and the launch of new fund products. We monitor our capital requirements through continuous review of our regulatory and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

We have maintained prudent capital and available liquidity throughout the year. The Group’s \$500 million revolving credit facility provides additional liquidity (see [Note 12](#) to the Group financial statements on [page 126](#)). We view our net financial assets<sup>1</sup> as the best summary of our balance sheet position (comprising cash and seed investments, excluding repos, less borrowings and contingent consideration). At 31 December 2019, net financial assets were \$674 million, up from \$644 million in 2018.

The Board is proposing a final dividend for 2019 of 5.1 cents per share, in line with our dividend policy, which together with the interim dividend of 4.7 cents per share equates to a total dividend for 2019 of 9.8 cents per share, a 17% decrease from 2018. The proposed final dividend equates to around \$76 million, which is more than covered by the Group’s available liquidity and capital resources. Key dates relating to the proposed final dividend are provided in the Shareholder information section on [page 152](#).

**Mark Jones**  
Chief Financial Officer

<sup>1</sup> The Group’s alternative performance measures are outlined on [pages 148–151](#).



# 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 2019

Investment underperformance is the biggest risk facing the Group. Absolute performance in 2019 was good, particularly for the Man AHL and equity long-only products benefiting from rallying markets. However, relative performance to peers or benchmarks was weaker, being pulled down by valuation focused strategies within Man Numeric and Man GLG's Japanese equity and emerging markets debt strategies. Performance fees rose by 156% compared to 2018, as described on [page 29](#). Funds under management rose by \$9.2 billion in 2019, as described on [page 28](#), largely driven by rallying equity markets but there were modest outflows following weaker short-term relative performance.

Our product offering is supported by our balance sheet, which we have utilised to continue the Group's seeding programme. 2019 saw the launch of several 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. We have accessed attractive swap and repo financing rates for some of the positions in order to free up liquidity.

Markets in 2019 were better suited to Man Group's core strategies, with rallying bond and equity markets driving the Man AHL and equity long-only fund performances. However, valuation focused investing suffered in the same markets.

The corporate reorganisation completed in May 2019 led to some enhancements in the risk governance framework as we implemented Europe and Rest of World sub-groups under a Global parent. Man Group entities continue to be regulated

locally while FCA consolidated supervision now applies to the Europe sub-group only. The changes provide more flexibility to ensure our operational, capital and risk management frameworks are appropriate for our evolving global business.

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

We are actively monitoring the situation with the coronavirus (COVID-19) and have implemented appropriate precautionary measures.

In early October, we completed the \$100 million share repurchase programme announced in October 2018. Later in October, we began a new share repurchase programme which will return \$100 million of capital to shareholders. As at 31 December 2019, the programme was 29% 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 2019 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 left the European Union (EU) on 31 January 2020 and is now in a transition period where it continues to follow EU rules while negotiating the future relationship with the EU. The UK government has committed to this transition concluding by the end of 2020.

This process has political, regulatory, legal and tax implications for the UK and may impact market access and general economic conditions in the UK and other European countries.

Man Group has planned for a range of Brexit scenarios that may impact its employees, business or its clients, including a no-deal at the end of the transition period. At the beginning of 2019, Man Group received regulatory approval to upgrade the regulatory permissions of its existing Irish entity and opened a physical office in Dublin, with locally based staff. Branches of the regulated Irish entity were established in various European countries. This has allowed 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 developments closely throughout 2020, and will take necessary steps to ensure that the impact of the future agreement on its employees, business and its clients is minimised.

## Climate change

Asset management businesses such as Man Group have a relatively limited direct exposure to the consequences of climate change due to their location and relatively small physical presence.

The Group's size also limits its direct impact on climate change. Nevertheless Man Group has sought to reduce its carbon emissions through increased use of renewable energy and improved energy efficiency. The Group will offset its remaining emissions by contributing to externally audited carbon reduction projects. Further details can be found on [pages 53-55](#).

Climate change does carry potentially significant implications for the underlying assets in our funds. In light of this, Man Group's Responsible Investment backbone combines formal policy and organisational frameworks; active stewardship; a sophisticated Environmental, Social and Governance (ESG) analytics platform leveraging Man's quantitative capabilities; and proactive, award-winning educational efforts within the investment community. Further details can be found on [pages 48-49](#).

**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 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 Medium-Term Plan assessment is 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.

**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 changes to the qualitative statements to reflect the May 2019 corporate reorganisation. There was no material change to the Board’s 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 70-75 provides further information on how the ARCom has discharged its risk oversight responsibilities during the year.

**Corporate reorganisation risk governance implementation**

The corporate reorganisation in May 2019 included the creation of Europe and Rest of World holding companies and boards. Each board has its own authorisation framework to ensure a consistent approach to business decisions in accordance with the Group’s risk appetite.

The Risk and Finance Committee (RAF) continues to be the Group’s principal mechanism for the sharing and tracking of risks. There are now three committees focused on the Global, Europe and Rest of World entities.

**Three lines of defence**

1st	2nd	3rd	
Business management	Compliance	Internal Audit	External Audit
'In business' risk management	Risk		
Operational management			

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.

36 Risk management continued

The Europe entities are regulated on a consolidated prudential basis by the FCA. Consequently the Internal Capital Adequacy Assessment Process (ICAAP) required by the FCA now applies to the Europe entities and is owned and approved by the Europe board. In addition, and as a result of the upgraded regulatory permissions in Ireland, an ICAAP for the Irish entity is prepared for the CBI. As for all regulatory submissions, the ARCom satisfies itself that the appropriate ICAAP preparation process steps are being followed.

**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 a quantitative assessment of the downside risks faced by the Group. 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 2019 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 34-39) 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.

**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 2019. However, risks linked to a no-deal Brexit have been a focus. 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.

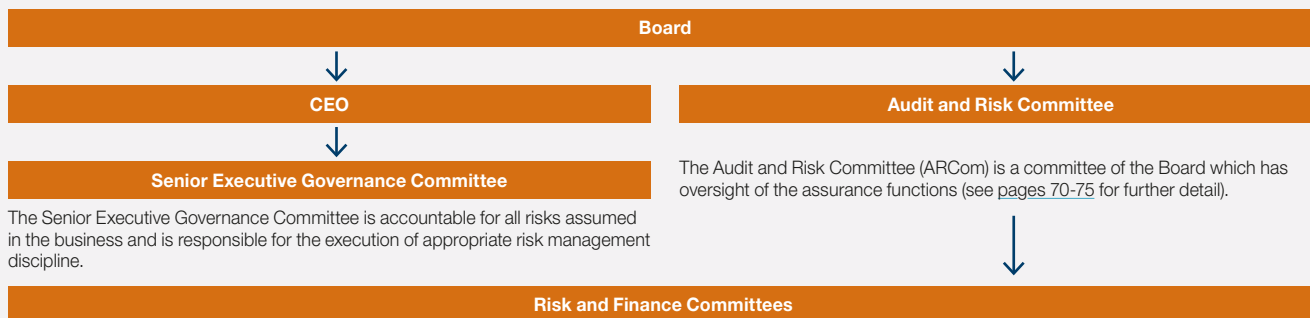
Given its wide range of investment products and strategies, the Group has to manage a wide array of operational risks. The breadth and complexity of the regulations that Man Group and its funds are subject to across multiple jurisdictions also represent significant operational risks should the Group 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 Group, 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 37-39 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.



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

The Audit and Risk Committee (ARCom) is a committee of the Board which has oversight of the assurance functions (see pages 70-75 for further detail).

The Risk and Finance Committees (RAF) oversee the operational, regulatory and reputational risks and the internal control environment. There are three committees covering Global, Europe and Rest of World Man Group entities. The committees also monitor balance sheet financial risks and the adequacy of economic capital and liquidity buffers. The RAFs are chaired by the Chief Financial Officer and the Chief Operating Officer.

## Business risks

### Link to strategy

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

### 1. Investment performance

Change in status and trend: ☺ Increased

#### Risk

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.

#### Mitigants

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 limits the risk to the business from underperformance of any particular strategy.

#### Status and trend

2019 has seen good absolute performance, particularly for Man AHL and the equity long-only products. However, relative performance to peers has been weaker for the large valuation focused strategies such as Japan CoreAlpha, Emerging Market Debt and those within Man Numeric.

Although FUM increased largely due to the rallying equity market, there were modest outflows following weaker short-term relative performance.

The discussion of Man Group's performance is on [pages 18-21](#).

### 2. Key person risk

Change in status and trend: ☹ Unchanged

#### Risk

A key person to the business leaves or is unable to perform their role.

Retention risk increases in years of poor performance.

#### Mitigants

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.

#### Status and trend

Man Group has continued to be able to attract and retain an array of talented individuals across the Group, however voluntary staff turnover has been increasing. The departure of the Group President and the transition to the new Board Chairman has proceeded smoothly. We continue to operate a succession planning process to manage this risk.

## Credit risks

### Link to strategy

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

### 3. Counterparty

Change in status and trend: ☹ Unchanged

#### Risk

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.

#### Mitigants

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.

#### Status and trend

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.

2019 saw credit spreads tighten for most names and there were no periods of heightened concern for any material names.

## Liquidity risks

### Link to strategy

- Innovative investment strategies
- Efficient and effective operations
- Returns to shareholders

### 4. Corporate and fund

Change in status and trend: ☹ Unchanged

#### Risk

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.

#### Mitigants

Man Group has access to a revolving credit facility (RCF), and maintains a liquidity surplus. Liquidity forecasting, including downside cases, facilitates planning and informs decision making.

The investment risk teams conduct regular liquidity tests on Man Group's funds as well as peer fund reviews. We endeavour to manage resources in such a way as to meet all demands for fund redemptions according to contractual terms.

#### Status and trend

The RCF has been renewed at \$500 million for 5-7 years across 14 Tier 1 banks, providing the Group with a robust liquidity backstop.

The asset liquidity distribution across funds has remained broadly unchanged. In response to liquidity issues faced by other asset managers, detailed case reviews have been carried out. This has led to enhancements in our liquidity analysis toolkit and reporting.

## Market risks

**Link to strategy**

- Innovative investment strategies
- Efficient and effective operations
- Returns to shareholders

### 5. Investment book

Change in status and trend: ☹ Unchanged

<p><b>Risk</b> 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.</p>	<p><b>Mitigants</b> A disciplined framework ensures that each request for seed capital is assessed on its risk and return on capital.  Approvals are granted by a 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.</p>	<p><b>Status and trend</b> The seeding book reduced in size over 2019, along with its downside risks. Overall seeding book returns for 2019 were positive, with the hedges performing as expected.  Some liquidity has been released by sourcing repo financing for CLO risk retention positions and swap financing for hedged long-only fund positions. Man Group retains the market risk to these positions.</p>
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### 6. Pension

Change in status and trend: ☹ Unchanged

<p><b>Risk</b> 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.</p>	<p><b>Mitigants</b> 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.</p>	<p><b>Status and trend</b> The scheme has a surplus on an accounting basis and a small deficit on an actuarial basis. The actuarial deficit has reduced over 2019 with improved performance of the underlying assets.</p>
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## Operational risks

**Link to strategy**

- Innovative investment strategies
- Efficient and effective operations
- Returns to shareholders

### 7. Internal process failure

Change in status and trend: ☹ Unchanged

<p><b>Risk</b> Risk of losses resulting from inadequate or failed processes within Man Group.</p>	<p><b>Mitigants</b> 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.</p>	<p><b>Status and trend</b> The Group remains focused on enhancing its systems and control processes where required and ensuring internal process failures are kept to a minimum.</p>
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### 8. External process failure

Change in status and trend: ☹ Unchanged

<p><b>Risk</b> 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.</p>	<p><b>Mitigants</b> 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.</p>	<p><b>Status and trend</b> 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.</p>
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### 9. Information and cybercrime security

Change in status and trend: ☹ Unchanged

<p><b>Risk</b> The risk of loss resulting from cybercrime, malicious disruption to our networks or from the theft, misplacing, interception, corruption or deletion of information.</p>	<p><b>Mitigants</b> 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, artificial intelligence (AI) 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.</p>	<p><b>Status and trend</b> The threat from cybercrime groups continues to grow, with many of these groups executing sophisticated attack campaigns with expertise only seen in previous years from nation states or state-sponsored hacking groups.  Throughout 2019 social engineering-based attacks remained the primary delivery technique – criminal elements attempt to gain access to sensitive corporate or private data with an ultimate goal of stealing and then selling the data to the highest bidder. Alternatively, they may deny the data owner access to their data altogether and then demand a ransom for its safe return.</p>
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## Operational risks continued

### Link to strategy

- Innovative investment strategies
- Efficient and effective operations
- Returns to shareholders

### 10. Information technology

Change in status and trend: ☹ Unchanged

<p><b>Risk</b> Risk of losses incurred by IT software and hardware failures resulting in system downtime, severely degraded performance or limited system functionality.</p>	<p><b>Mitigants</b> The Group recognises the fundamental role of technology in delivering its objectives and IT functions work closely with other business units to ensure work is correctly prioritised and financed. The prioritisation process considers the lifecycle of both hardware and software to ensure both are adequately supported and sized. The Group's operational processes include mature risk, incident and problem management procedures to minimise the likelihood and impact of technology failures.</p>	<p><b>Status and trend</b> During 2019 the Group continued to improve its technology capability with the completion of a new Finance and HR platform and ongoing enhancements across the trading and operations systems.  New hardware investments were made to support the Group's Quant Research platform, as well as a major refresh of our end user computing systems.</p>
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### 11. Legal and regulatory

Change in status and trend: ☹ Unchanged

<p><b>Risk</b> 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.</p>	<p><b>Mitigants</b> 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.</p>	<p><b>Status and trend</b> Man Group continues to experience new regulatory requirements. In 2019 this included the Senior Managers and Certification Regime ('SMCR') which was successfully implemented.  Work is already underway on a number of regulatory initiatives including IBOR transition and the new prudential regime for EU investment firms.</p>
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### 12. Brexit

Change in status and trend: ☹ Unchanged

<p><b>Risk</b> The Group faces legal, tax 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.</p>	<p><b>Mitigants</b> Man Group has upgraded the regulatory permissions of its Irish entity and has opened an office in Dublin to serve European clients.  The fund risk toolkit includes market and liquidity scenarios focused on downside Brexit risks.</p>	<p><b>Status and trend</b> The UK Government has committed to fully exiting the European Union at the end of 2020, following a transition period. The exact nature of the final agreement may impact market infrastructure and regulations.  The Group is monitoring developments closely and will take the necessary steps to ensure that the impact on the business, investors and employees is minimised.</p>
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## Reputational risks

### Link to strategy

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

### 13. Negative publicity

Change in status and trend: ☹ Unchanged

<p><b>Risk</b> 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.</p>	<p><b>Mitigants</b> 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.</p>	<p><b>Status and trend</b> Man Group continues to enjoy a good reputation and this risk is assessed as stable.</p>
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## Emerging risks

### Link to strategy

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

### 14. External risks

Change in status and trend: ☹ Unchanged

<p><b>Risk</b> Primarily external in nature and complementary to the principal risks which are focused on current internal risk. The emerging risk categories include natural disasters, pandemics, disruption to financial markets and business infrastructure, political risk and changes in the competitive landscape.</p>	<p><b>Mitigants</b> 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.</p>	<p><b>Status and trend</b> The emerging risks have been reviewed by the Board in 2019. No changes were made to the Group's headline principal risks.  The coronavirus (COVID-19) outbreak has transitioned from an emerging risk to a business continuity principal risk.</p>
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96%

of environment-focused shareholder proposals supported

# Respon-

8,000+

companies covered by Man Group's ESG analytics tool

19%

reduction in overall Man Group MTCO<sub>2</sub>e emissions over 2019

\$1.2m+

donated to charities and charitable initiatives by the Man Charitable Trust

sustainability

6,000+

corporate meetings voted on by Man Group

2,270+

employee volunteer hours in 2019

# Our stakeholders

## s. 172 Companies Act 2006 Statement as required under Provisions of the UK Corporate Governance Code

Man Group places a high value on the consideration of its stakeholders' views, whilst recognising that in some circumstances there will be conflicting priorities between the different groups, and that it is important for the Board to exercise its independent judgement.

The Board has previously undertaken a stakeholder mapping analysis which identified its key stakeholders whose views and attitudes were integral to the long term success of the Company. The Board agreed as part of its evaluation process in 2017 that it would schedule regular reviews of its stakeholder groups and their interests and from this process has determined that its key stakeholders remain unchanged from last year. Below we have expanded our disclosures to include how the Board considers stakeholder views in Board decision making and discussions.

The Board recognises that understanding what is important for stakeholders and fully appreciating their needs and concerns will only improve the Board's decision making process. The Board commits to continually build upon its efforts towards stakeholder engagement and to ensure that the reporting that it receives includes references and impacts on stakeholder groups. The Board will also allocate time throughout the year to directly engage with different groups.

### Our purpose

We are an active investment management firm focused on delivering attractive performance and client portfolio solutions, deploying the latest technology across our business to help ensure we stay at the forefront of our evolving industry.

We provide long-only, alternative and private markets products on a single and multi-manager basis. We develop bespoke solutions and fund of hedge fund services which utilise the firm's advanced technology, infrastructure and expertise. We continuously invest in technology, talent and research as we strive to deliver the best results for our clients.

## Shareholders

Communication with shareholders is paramount to Man's success and the Board considers these views when making its decisions throughout the year

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Key considerations	Key matters discussed	How did we engage?
<ul style="list-style-type: none"> <li>Long term value creation</li> <li>Return of capital and dividends</li> <li>Growth and Diversification</li> <li>Alignment of remuneration</li> </ul>	<p>A corporate reorganisation was agreed during the year (further information can be found on page 5) to allow a more flexible structure for Man Group to engage in its core activities which over the long term would be integral to Man Group remaining competitive and therefore increasing shareholder value.</p> <p>Approval of share buyback programme and dividends throughout the year.</p> <p>Alignment of fund manger risk with shareholders through remuneration policy.</p>	<p>The Board identified, through its dialogue with representatives from the IR Team and the regular reporting it receives, that long term value creation is a key consideration of shareholders and this was a consistent theme throughout discussions and external advice received on the corporate reorganisation. This consideration formed part of the strategic rationale underpinning the decision to proceed. Approval was also sought from Shareholders by way of a General Meeting.</p> <p>The approval of the share buyback programme and dividend payments throughout the year formed part of the Company's long term strategy of delivering improved returns to shareholders. The Board considered the proposals in light of the other opportunities that could impact shareholder value and further information on Man Group's capital management approach can be found on page 33. Approval was sought from shareholders at the 2019 AGM for the share buyback programme.</p> <p>The Chairman of the Remuneration Committee offers to meet with institutional shareholders to discuss remuneration trends and feeds this information back to the Board. Further information on the Board's approach can be found on page 80.</p>

## Employees

The Board recognises the impact employees have on Man Group's success and is committed to understanding their needs and requirements to ensure a positive working environment. The Board has appointed two designated non-executive directors to directly engage with our employees. Further information can be found on [page 67](#).



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Key considerations	Key matters discussed	How did we engage?
<ul style="list-style-type: none"> <li>• Good work-life balance</li> <li>• Flexible working</li> <li>• Career development</li> <li>• Diversity and inclusion</li> <li>• Collaborative and open working environment</li> </ul>	<p>The corporate reorganisation mentioned throughout this report was also discussed by the Board in relation to employees and the impact on them. The Board throughout its advice and discussions was clear that there should be little or no impact on employees and this was reiterated throughout the approval process.</p> <p>The decision to introduce a long tenure award policy, which seeks to acknowledge and support employee wellbeing in response to feedback from the annual employee survey, was made during the year.</p>	<p>The Board ensured that the reorganisation did not adversely impact employees or create any long-term consequences. The Board also considered that the reorganisation would allow Man Group to compete in a broader range of jurisdictions, which may allow for greater mobility opportunities for its employees.</p> <p>An annual employee survey was used to ascertain employee sentiment and areas that employees would like to see improvement. The feedback from this survey, along with reporting from HR on market trends, formed the basis for the introduction of new wellbeing initiatives for employees. Further information on the results of the employee survey can be found on <a href="#">page 45</a>.</p>

## Clients

Clients are at the heart of the business and their views will dictate Man Group's strategic direction



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Key considerations	Key matters discussed	How did we engage?
<ul style="list-style-type: none"> <li>• ESG considerations &amp; Responsible Investment</li> <li>• Strong performance of strategies</li> <li>• Long-term partnerships</li> <li>• Latest innovative technology</li> <li>• Cost savings</li> <li>• Reducing active equity exposure</li> </ul>	<ul style="list-style-type: none"> <li>• The introduction of specific sustainable investment funds and the creation and hiring of a Chief Investment Officer for ESG.</li> <li>• Requested that senior management consider the need to leverage technology in order to address ESG requirements.</li> <li>• Aligned its revolving credit facility with meeting non-financial goals, including the appointment of women to senior roles and promoting volunteering efforts among staff.</li> <li>• Renewed and ensured cost saving initiatives were on target.</li> </ul>	<p>The Board delegates the engagement with clients to the senior management team and the executive directors. The Board receives regular deep dives on key clients and as part of this requests that important issues are brought to their attention so these can be incorporated within strategic discussions. The sales team are invited to present to the Board at intervals throughout the year.</p> <p>The importance of Responsible Investment (RI) to clients is clear to the Board and the discussions on this topic throughout the year meant that Man Group ESG analytics was launched allowing investment teams to assess ESG risks. Further information on how we considered ESG throughout the year can be found on <a href="#">pages 48 to 49</a>.</p> <p>External experts provided updates to the Board on industry trends and client expectations. The Board uses these updates to make informed decisions regarding its longer term strategy to build strong relationships with clients. Further information on how client's needs have influenced the Board's decision can be found on <a href="#">pages 19 to 20</a>.</p>

## Communities & Environment

Man Group is committed to having a positive impact on the local and wider communities and the environment



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Key considerations	Key matters discussed	How did we engage?
<ul style="list-style-type: none"> <li>• Improvement of knowledge and opportunities within the local community for careers in finance</li> <li>• Assisting in creating diversity within the financial services industry</li> <li>• Environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>• Improvement of opportunities within the local community for career development.</li> <li>• Assisting in creating diversity within the financial services industry.</li> <li>• Setting of the environmental objectives to 2022.</li> </ul>	<p>The Board receives updates on the work of the Charitable Trust, which identifies charities within the local community. From these discussions, the Board agreed a charitable donation to King's College Mathematics School, a specialist state-funded school for gifted mathematicians aged 16-19.</p> <p>Opportunities are offered through the City Gateway Charity for young people to participate in internships at the Company. Further information on how the Board engages with communities can be found on <a href="#">pages 50 to 51</a>.</p> <p>The Company's objectives and targets in relation to its impact on the environment can be found on <a href="#">page 55</a>.</p>

## Business Partners and Supply Chain

Good relations with business partners and suppliers are essential to Man Group's day to day functioning



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Key considerations	Key matters discussed	How did we engage?
<ul style="list-style-type: none"> <li>• Fair working relationships</li> <li>• Mutual respect and understanding</li> <li>• Building long-term relationships</li> </ul>	<ul style="list-style-type: none"> <li>• Approval of the Company's Modern Slavery and Transparency Statement.</li> </ul>	<p>The executive directors regularly receive updates on the key elements of its supply chain and feeds this information back to the Board.</p> <p>The Board, as part of its commitment to high standards of business conduct, approved the Company's Modern Slavery Transparency Statement and also commits to prompt payment of suppliers and remains a signatory to the CICM Prompt Payment Code.</p>

# 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 and shareholders. Above all, we seek to attract and retain the best people, and to ensure everyone at Man Group has the opportunity to reach their full potential.**

## Nationalities

60+

## Internal transfers

190+

## Uptake of enhanced parental leave

54

## Focus on talent and commitment to conscious inclusion

Attracting, developing and retaining 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 celebrate difference and foster a consciously inclusive culture and workplace, which facilitates innovative thinking – a vital component of our ability to deliver results for our clients. Encouraging diversity and inclusion in all aspects of our business is therefore fundamental to achieving our strategic goals.

## Talent acquisition, retention and development

Bringing top talent into our business is imperative to our success, as is the retention and continued development of our workforce.

We continue to source highly talented employees via a number of entry-level (graduate and intern) programmes within investment management, finance and operations. We on-boarded our highest number of investment management trainee analysts to date in 2019 and introduced three focused streams on the programme – quantitative, discretionary and generalist. On completion of the two year programme, our trainees possess a comprehensive skillset along with good knowledge of our business, and are well placed to move off the programme into permanent 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. During 2019, internal promotions included the appointments of Global Heads of Sales and COO for Trading Platform & Core Technology.

We are a global firm and create opportunities for our people to gain international experience via short-term placements and permanent relocations. We have continued to expand our dedicated Talent function, further improving the provision of career, development and performance support for our workforce.

In the context of Britain's withdrawal from the European Union, we are committed to ensuring that we continue to provide support to those members of our workforce who are EU nationals working in the UK. Hiring the best talent from around the world, including the EU, is fundamental to our business and we remain committed to doing so.

We continue to be involved and liaise with various industry forums, external advisors and the UK Government. We closely monitor immigration updates in relation to their potential impact on our workforce to ensure staff have the correct guidance and documentation to travel between the UK and Europe.

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 focusing our employees on long-term performance, aligning their interests with those of our clients and shareholders. During 2019 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 78 to 98](#) for the Directors' remuneration report.

At the start of 2019 we went live with Workday as our new HR and Finance system. The initial implementation brought material benefits from an operational perspective as HR and Finance data is now housed on a single platform allowing for enhanced reporting and data analytics. The introduction of Workday has enabled us to deliver against a number of strategic objectives during the year. Talent reviews were moved into the system in Q2, while Workday Recruitment went live in Q4 meaning our applicants now have a seamless experience from their first click on the job advert, through the selection process, to arriving at Man Group as a new joiner.

Man Group's total headcount, including contractors and consultants, has remained broadly unchanged, moving from 1,435 at 31 December 2018 to 1,436 at 31 December 2019.

### 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 continue to share a daily email newsletter with all employees, run programmes of presentations from executives across the firm (the 'Business Education' and 'Lunch and Learn' series) and host regular business unit town-halls and internal Man Group results presentations. In addition, when travelling across our international office network, Executive Committee members regularly host employee update events. We also have two Non-Executive Directors focused on staff engagement and during 2019 they have undertaken a programme of events in the UK and US to engage directly with our staff across all levels and functions.

We have continued to place 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. We have introduced a number of supporting initiatives including mindfulness sessions, healthy eating seminars, onsite cancer checks, a children's wellbeing workshop and benefits roadshows.

We introduced a new global enhanced gender neutral parental leave policy in 2018, providing all new parents with 18 weeks fully-paid leave, and were delighted to see a good uptake of this benefit in 2019. Our offering of emergency childcare/eldercare in the UK has also been well received and we saw a significant increase in usage.

We are pleased to report that our 2019 employee survey recorded an engagement score of 77% and an increased response rate of 83%. We also seek feedback from employees across the firm on an ongoing basis and use this information to inform the initiatives we undertake to continually enhance Man Group as a place to work.

## FAM network – Testimonial



### Melanie Walsh

Middle Office Service Provider Manager  
PCO, UK

#### What are you parenting responsibilities?

I have a two year old son who is looked after by my parents 1 day per week and is in nursery 3 full days per week. The nursery is close to the office and the hours are 7.30am–6.30pm.

#### What family friendly initiatives have helped you?

My request for part time and flexible working was approved upon my return to work after maternity leave. I am able to work from home on Mondays when my parents look after my son. I am based in the office Tuesday-Thursday when my son attends nursery. When I leave the office to collect him I am able to log on to work from home if necessary.

My part time working week is Monday-Thursday so I no longer work on Fridays to aid with the cost of childcare and so I am able to spend time with my son.

#### What advice would you give for anyone who is considering making use of family friendly offerings?

Man Group has fully supported my flexible working requirements without any issues so I would strongly encourage employees to make use of the family friendly offerings. My advice would be to be very clear about requirements/days/times etc. from the start of the process so that the firm can aim to fully accommodate the request as much as possible without the need for too many changes in the future. I found that this was helpful for all involved (Management, HR team members etc. as well as external parties).

#### Why do you feel that Man Group is a supportive environment for working parents?

Flexible and part time working opportunities are available and fully supported. Unusual circumstances are understood and considered with the aim to provide full support if able to. I see unhindered career progression post requests.

#### Any other comments e.g. reassurance regarding career prospects.

Despite the fact that I reduced my working hours by 20% and I am only present in the office 3 days per week I was still lucky enough to be provided with the opportunity to become a Manager of a sub team within Man FRM's Middle Office. In addition to this, I have recently transitioned into a new role internally at Man Group with increased responsibilities, but was still able to maintain my part time working hours and flexibility.

46 **Responsible business** *continued*  
**People and culture** *continued*

**FAM network – Testimonial**



**Hersh Gandhi**  
 Head of Sales, Asia Pacific (ex Japan)  
 Sydney, Australia

**What are you parenting responsibilities?**

I have three young, active children and a wife who works in financial services two days per week. Neither of our extended families live in Sydney, and I travel quite a bit, so it does get quite chaotic at times.

**What family friendly initiatives have helped you?**

In my case, it has been mainly a case of using flexible working arrangements when practical to do things with my children that I know they (and I) value, like reading to them or having a kick of the footy.

**What advice would you give for anyone who is considering making use of family friendly offerings?**

I seem to have become one of those parents who says “it all goes so quickly”... so in my view, these family friendly offerings are invaluable. My advice would be that these are absolutely being offered in good faith, so don't hesitate to take advantage of the ones that work for you.

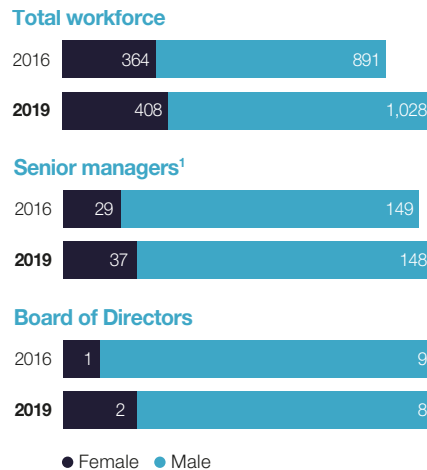
**Why do you feel that Man Group is a supportive environment for working parents?**

One can tell when something is truly in a company's culture. It is more about people than policies, and at all levels of Man Group, I have seen management supporting working parents. The “little” touches – having a day when parents can bring children into work, recognising that someone might want to leave early on their kid's birthday etc. – matter just as much as the more formal policies we have in place.

**Any other comments e.g. reassurance regarding career prospects.**

The firm definitely recognises that a work-life balance is important for working parents to realise their potential as an employee. Given that, I don't think anyone should feel nervous about the impact on their career prospects and I haven't seen it to be negatively viewed on any occasion.

**Staff by gender (at 31 December)**



<sup>1</sup> This figure includes the executive committee and their direct reports, which includes the company secretary.

During 2019 we ran events on a global scale to embed our commitment to conscious inclusion. We celebrated International Women's Day across all our offices and also marked Pride month in various ways, including marching in the Pride in London parade for the first time, and with Pride social events in New York and Hong Kong. Additionally we marked Black History month with various events and awareness campaigns, and also highlighted International Day of Persons with Disabilities by going “purple” across our global offices and our website.

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 diversity & inclusion 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 internal mentoring for women within the firm and our partnership with Women Returners to support those returning to work following a career break. By working with Women Returners, we are able to identify suitable candidates from a high calibre, predominantly female talent pool, as well as providing them with tailored mentoring and support. During 2019 we recruited 5 returners onto fixed term contracts, our largest cohort to date, and so far have a 80% conversion rate into permanent positions, demonstrating that this is a successful means of hiring experienced and high-quality women.

**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. Our senior D&I steering group and working groups continue to propel our inclusion agenda under the umbrella of “DRIVE”, our global network for all the firm's D&I initiatives. We remain well-connected with peer organisations which gives us the opportunity to host joint events and share knowledge. Robyn Grew, Man Group's COO and GC, also chairs AIMA's diversity group, giving us external presence in this space.

We are delighted to have the following active staff networks, which consist of both members and allies, regularly running events and supporting our workforce:

- BEAM Network (Black Employees At Man)
- FAM Network (Families At Man)
- PRIDE Network (LGBT+)
- WAM Network (Women At Man) – launched in 2019

See [page 77](#) for the Nomination Committee's diversity policy.



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 over the past few years, and we continue to work proactively with schools, societies and education providers to promote careers in the financial services sector at a grassroots level. 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.

Having signed up to the Women in Finance Charter in 2018, we published our first charter update in 2019. We have set ourselves a target of 25% female representation in senior management roles by the end of 2020, and expect to increase our target by at least 1% per year in the years ahead. At the end of 2019, we were at 20%, up from 16% in 2016.

During 2019 we were again nominated in multiple categories at the Women in Investment awards and were thrilled that Man Group's Saachi Sharma won the Rising Star award this year.



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. In the US, we partner with the Young Women's Leadership Network in New York as well as Codman

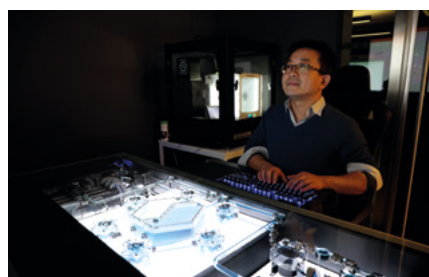


Academy and Girls Who Invest. In 2019, we were delighted to commence a partnership with the King's College London Mathematics School – a specialist state-funded school for gifted mathematicians aged 16-19. The school offers an access route for students from backgrounds that are often under-represented in mathematical sciences.



**King's Maths School plays an important role in helping exceptional mathematicians sustain and grow their interest in this subject, and we are delighted to be able to support the school's mission as it cultivates the pipeline of young talent in this area.**

**Sandy Rattray**  
CIO, Man Group



Apprenticeship programmes also 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. We have been hiring apprentices since 2013 and our current cohort are working within our technology, investment marketing and talent teams.

Man Group is committed to providing equal employment opportunities and discrimination by any individual on the grounds of age, disability, gender, race, religion, sexual orientation or educational background is not tolerated. Full and fair consideration is given by Man Group to all employment applications, including from disabled people, considering their aptitudes and abilities.

The Company also 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.

#### Man Group LGBT+ network

Man Group's LGBT+ network seeks to provide a platform to support, empower and elevate the voices of the community while educating the firm on a range of LGBT+ themes.

#### Our Paving the Way campaign

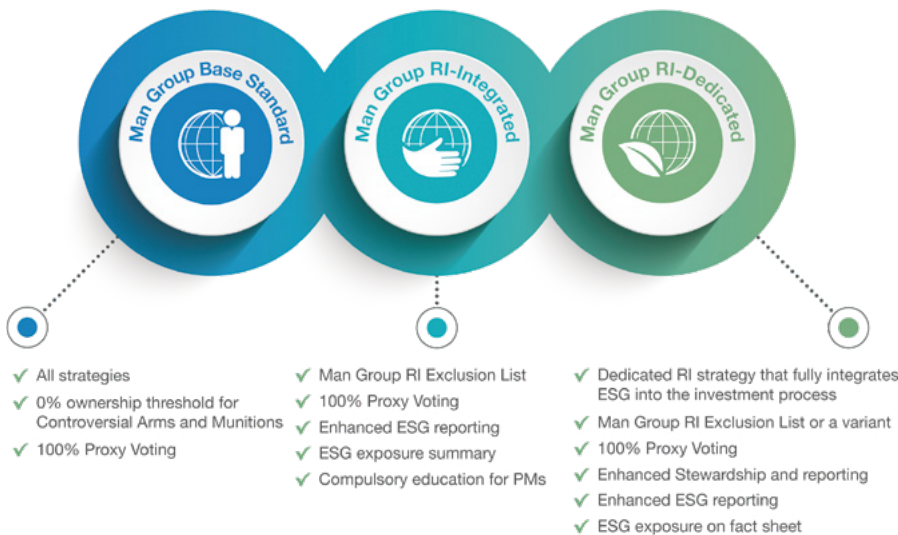
In 2018 we launched Paving the Way, our dedicated campaign to help encourage a more diverse pipeline of candidates, both within Man Group and across the investment industry more broadly. We believe it is our responsibility to address factors which lead to a lack of diversity in our workforce; this campaign represents our firm wide commitment to do so robustly and vocally, and is well aligned with our longstanding charitable focus on promoting literacy and numeracy at a grassroots level. We hope these efforts will not only attract more diverse candidates, but support them into senior positions and front-office roles.

# Responsible Investing

**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 ensures that our interests and values are closely aligned to those of our clients and stakeholders.**

## Responsible Investment framework

Man Group takes a diversified approach to RI across its investment engines, understanding the importance of emerging best practices across all asset classes and investment strategies. In recognition of these differing approaches, the RI fund framework is designed to establish a baseline requirement of Environment, Social and Governance (ESG) standards, and to provide credibility, clarity and consistency in Man Group's approach to RI across its range of funds. Broadly funds fall under three categories:



## Our policies

The Man Group Responsible Investment Website defines our commitment to Responsible Investment and lists our RI policies across our investment engines.

Man Group's overall RI policy outlines its recognition, commitment and support for the development and integration of RI across its business units. The diversified nature of Man Group's businesses means that no single ESG framework is universally applied. That said, each of Man Group's investment engines apply the norms and best practices of responsible investing where relevant. For Man Group as a whole, these norms and best practices include:

1. Stewardship: enhancing the value and interests of our clients' assets through voting and active engagement
2. ESG factors: considering ESG criteria in the investment decision-making process
3. Education and Activities: educating on and promoting responsible investing within the investment community

## Our approach

Man Group is a proud signatory of the UN-supported Principles for Responsible Investment (PRI) and is active in several PRI committees. We have long recognised how responsible investing is fundamental to the firm's fiduciary duty and acknowledge the continued importance of the best practices endorsed by the PRI. Man Group, as a PRI signatory, submits annual, compulsory transparency modules, which report on ESG integration and active ownership across the firm's investment engines. We received an A+ during the most recent reporting year for Strategy and Governance, which encompasses our overall approach spanning our RI policy, objectives, strategy, governance, HR policies and the degree to which we are promoting RI within the industry.

We believe that as stewards of our clients' capital we owe it to them to manage their entrusted resources actively and responsibly in order to unlock long-term and sustained value. Accordingly, Man Group fully supports the UK Stewardship Code, applying its seven principles across the firm's investment strategies.

## PRI Strategy and Governance rating

A+

## Number of environment-focused shareholder proposals supported

96%

We view ESG analysis as a natural complement to traditional financial analysis and believe that the incorporation of responsible investment practices into the investment decision making process can often result in a broader, more comprehensive analysis of a company, leading to an enhanced level of risk assessment. We therefore seek to apply the best practices in responsible investment relevant to the particular investment strategy.

This necessitates Man Group addressing responsible investment in a variety of ways depending on the investment strategy employed. These may include negative screening, traditional ESG integration, quantitative ESG integration, norms based screening or engagement-led processes.

### Our Responsible Investment governance

Man Group's Responsible Investment Committee oversees and reviews the implementation of all RI policies and processes, as well as the firm's stewardship capabilities, across Man Group's investment businesses. The RI Committee is chaired by Robert Furdak and is comprised of senior representatives from across Man Group's businesses. This not only underlines the strategic importance of responsible investment to Man Group's corporate philosophy; it also ensures that RI initiatives are organised and managed from the highest level.

Man Group also established a dedicated Stewardship and Active Ownership (SAO) committee in 2018 that maintains the firm's stewardship policies and framework that guide all our stewardship activities to uphold the highest standards in ESG.

### 2019 Responsible Investment milestones

- Created the position of CIO for ESG
- A+ Strategy and Governance rating in PRI report
- Man Numeric develops Quantitative ESG model for use in its investment strategies
- Man Group launches the Man Group ESG Analytics Tool, a proprietary, dashboard-style tool enabling the firm's investment teams to monitor non-financial risks and analyse ESG factors on both a single-stock basis and across portfolios
- A Sustainable Future' Podcast wins ESG Initiative of the year at the 2019 Sustainable Investment Awards. Run by Jason Mitchell, Man Group's Co-Head of Responsible Investment, the podcast discusses topical ESG issues with key figures from across the RI industry
- Man Group votes at nearly 6,100 corporate meetings
- 96% of environmental shareholder proposals supported

# Q & A



**It's been gratifying to be a part of the evolution of responsible investment at Man Group, and I look forward to coordinating the diverse and robust responsible investment efforts across the firm's investment engines in my new role as CIO for ESG. As a technology-empowered and data-driven firm, our ESG initiatives follow the same scientific rigour we apply to any investment opportunity, staying true to the data while ensuring that an effective and repeatable methodology underpins every decision.**

**Robert Furdak**  
Chief Investment Officer for ESG



### Please tell us about your role and responsibilities at Man Group?

My new role will have many facets. I will coordinate the ESG initiatives across the Man Group investment engines and lead the Responsible Investment (RI) research efforts across the Firm. I will also continue to be an active member of the RI community, helping advance the debate around ESG and RI through thought leadership pieces and active participation in industry groups. Finally, I will work with asset owners to help them analyse their RI policies and implement solutions.

### What differentiates Man Group from your competitors?

We believe that RI is too broad and fluid for a single approach to adequately address the numerous challenges of doing business in a manner that is ethically sound. First you must have a deep understanding of the ESG data, which is subjective and nuanced. Then you must use all the tools at your disposal to make the most informed decisions. This includes quantitative and qualitative analysis, exclusion lists, optimisation constraints and targeted exposure.

### What is the next frontier in Responsible Investment?

There are two important themes emerging in RI. The first is the explosion of new data sources, some very specific, to help analysts evaluate a company's actions. The second is stewardship. Asset owners and investment managers are quickly realising that to effect change, you need to engage with management.

### There has been a flood of attention on ESG investing, how do you protect from greenwashing?

This is a topic that has recently come into the focus of regulators and one that we are very concerned about within our industry. It is one of the reasons we developed the Man Group ESG Analytics Tool. It allows us to show asset owners, in a very detailed way, how our portfolio stacks up on a variety of ESG measures and allows them to monitor our engagement efforts and the carbon profile of the portfolio.

# Contributing to our communities

**We are conscious of the impact our organisation has on our community, and aim to give back and contribute positively to those around us. Our charitable efforts globally are focused on promoting literacy and education, and are run primarily through the UK Man Charitable Trust established in 1978, and the Man US Charitable Foundation established in 2019. We also actively encourage our employees to volunteer, providing them with two additional days of paid leave to do so either with a charity supported by the Trust or with one of their choice.**

## Man Charitable Trust

The Man Charitable Trust ('the Trust') supports a diverse range of charities in the UK, with a particular focus on improving literacy and numeracy skills. The Trust also seeks to increase employee engagement in volunteering and charitable activities. The Trust provided \$1,234,168 in charitable donations and charitable initiatives over 2019.

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, Head of Regulatory and Financial Reporting at Man Group and Chris Pyper, Chief of Staff, Infrastructure at Man Group.

The Trustees sought to extend and enhance our engagement with the charities the Trust supports over the course of the year, deepening our relationships with the organisations and looking at ways of adding value above and beyond the financial contribution the Trust provides. Man Group employees volunteered their time, experience and expertise to the Trust's chosen charities and offered office space to the charities throughout the year so that they could hold charitable events, trustee meetings and other activities. These non-financial contributions not only help the charities; volunteering also brings real benefits to our employees in terms of social engagement and fulfilment.



**The Man Charitable Trust reflects a longstanding commitment to good causes at Man Group; we think hard about the charities with whom we engage and try to be generous not only financially, but also with our time and expertise.**

**Teun Johnston**  
Chairman of the Man Charitable Trust and CEO of Man GLG

## Man Charitable Trust networking event (London)

In July, the Man Charitable Trust hosted its first networking event for all the charities that it supports in the UK. This provided an opportunity for the charity representatives to catch up with the Trustees of the Man Charitable Trust and also gave them each an opportunity to meet with other charities that the Trust supports, as well as sharing fundraising ideas and opportunities for collaboration.

As Man Group's business and geographical footprint continues to grow, there has been a significant effort to reflect this in the firm's charitable activities. The Man US Charitable Foundation is now providing funding and volunteering opportunities in the US under the stewardship of Colin Bettison, Head of Operations, Man Group Americas and a previous UK Trustee; Eric Burl, Global Co-Head of Sales and Marketing and Head of Americas; Lisa Chua, Asset Manager, Man GLG; Heidi Roderick, Strategic Initiatives Project Manager, Man Numeric; Hilary Junk, Senior Project Manager, Man Numeric; and Rob Furdak, CIO for ESG, Man Group. We plan to further encourage staff members from our offices worldwide to participate in volunteering so we contribute to all communities in which we operate.

Finally, employees at Man Group are able to support charitable programmes via their Give As You Earn accounts. The Trust proudly matches independent fundraising by employees up to the value of £1,000.

**ManKind programme at Man Group**  
ManKind is the firm's community volunteering programme, which enables UK employees to take two additional days' paid leave per annum to volunteer with charities supported by the Trust or a charity of their choice. Participation again rose in 2019, with 28% of full time UK employees utilising this benefit. Volunteering is a highly valuable method of achieving positive learning and development benefits for our employees which is now being actively encouraged throughout the firm and by our senior management team. To increase our volunteering levels globally going forward, we have assigned 'Volunteering Captains' in each of our regions.



**Man Charitable Trust donations**

\$1.2m

**Employee volunteer hours in 2019**

2,270+



**Reading Partners is one of Man Group's longest standing charitable sponsorships, and has been a hugely fulfilling collaboration for us. Year on year, our employees form strong bonds with the pupils of Sir William Burrough primary school, and year on year the pupils make noticeable improvements in their literacy and social skills. Man Group is full of avid readers and this is a great way for employees to give back and share their love of books with the next generation.**

**Mark Burnal**  
Head of Infrastructure Data Governance and Man Group's Reading Partner coordinator

**Vision for literacy business pledge**

Man Group is a signatory of the Vision for Literacy Business Pledge 2019, having also signed the 2016, 2017 and 2018 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 demonstrates our commitment to tackling the literacy challenge by taking action within the workforce, the local community and at national level.

**Reading Partners**

Man Group is pleased to have supported the literacy and numeracy charity Reading Partners for over a decade. Every week throughout the academic year, employees from the firm read to Year 2 pupils at the Sir William Burrough primary school in Tower Hamlets, London.

# 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 Corrupt 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. We have various policies and procedures in place to guide our staff and help us fight financial crime, and annual training is given on financial crime which includes anti-money laundering; anti-bribery and corruption; fraud; and financial sanctions regimes. Man Group

is committed to conducting its business with honesty and integrity and complying with all applicable anti-bribery and corruption and financial crime 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. The annual report from the Money Laundering Reporting Officer is submitted to the Man Group Board and the firm's policies and procedures are subject to regular review by the Internal Audit function.

Further policies that support the anti-bribery and corruption policy include the Global Gifts and Entertainment Policy which outlines the requirements of staff when giving or receiving gifts and entertainment in the course of their employment. Additionally, the Global Code of Ethics underlines Man Group's commitment to integrity and high ethical standards and defines the standard of conduct Man Group expects from its staff.

## 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.

## Service providers and due diligence

Information on our onboarding, oversight and monitoring of our service providers is also contained within our Service Provider Management Policy and our Counterparty Approval Policy. These outline our governance structure and approach in regard of our service providers and the due diligence we follow.

## Raising concerns

Staff are able to raise feedback and concerns in various ways and this includes an anonymous "whistleblowing" hotline which is operated by an external provider; the anonymity of whistleblowers is protected by this service. Our Audit and Risk Committee has oversight of matters that have been raised and if appropriate, can raise these to our Board.

## Non-financial statement

Man Group plc, as a Jersey incorporated company, is not under any obligation to complete a non-financial information statement as required by sections 414CA(1) and 414CB(1) of the Companies Act 2006. Nevertheless Man Group has chosen to comply with the requirement and the below constitutes our non-financial information statement. We have cross referenced below where the descriptions of our policies governing our approach to the reportable matters can be found, along with any due diligence we have undertaken and any notable outcomes.

Reporting requirement	Policies and standards which govern our approach	Information necessary to understand our business and its impact on policy due diligence and outcomes
<b>Environmental matters</b>	<ul style="list-style-type: none"> <li>Environmental Policy</li> <li>Health and safety policy</li> <li>Green Buildings</li> </ul>	See <a href="#">pages 53 and 54</a>
<b>Social matters</b>	<ul style="list-style-type: none"> <li>Global Code of Ethics</li> <li>Global Inclusion Statement</li> <li>Modern Slavery Statement</li> <li>Man's activities in the wider community</li> <li>Responsible Investment Policy</li> </ul>	See above <a href="#">Page 46</a> See above <a href="#">Page 51</a> (ManKind and Vision for Literacy business pledge) <a href="#">Pages 48-49</a>
<b>Anti-bribery &amp; corruption</b>	<ul style="list-style-type: none"> <li>Global Anti-Money Laundering and Counter Terrorist Financing Policy</li> <li>Global Anti-bribery and Corruption Policy</li> <li>Global Gifts and Entertainment Policy</li> <li>Global Whistleblowing Policy</li> </ul>	<a href="#">Page 52</a> 'Reputational risks' within our risk management section within the Strategic report
<b>Employees</b>	<ul style="list-style-type: none"> <li>Whistleblowing Policy</li> <li>Global Code of Ethics</li> <li>Employee Inclusion</li> <li>Diversity approach</li> </ul>	See above and <a href="#">page 65</a> See above CEO statement <a href="#">page 21</a> S 172(1) statement employee section of stakeholder engagement
<b>Human Rights</b>	<ul style="list-style-type: none"> <li>Modern Slavery Statement</li> <li>Service provider management Policy</li> </ul>	See above See above
<b>Non-financial key performance indicators</b>	<ul style="list-style-type: none"> <li>Company culture, diversity and development of people</li> <li>Build reputation of Man Group with key stakeholders</li> </ul>	Chairman's governance statement People and culture section <a href="#">pages 44-47</a> Executive Director KPIs see <a href="#">page 89</a> S 172(1) engagement with stakeholders <a href="#">pages 42-43</a> and stakeholder engagement <a href="#">pages 64-65</a> 'Reputational risks' within our risk management section within the Strategic report
<b>Business Model</b>	<ul style="list-style-type: none"> <li>Counterparty risk</li> </ul>	'Our Business Model' section of the Strategic report Adverse impact by counterparties can be found in 'Credit Risk' section of our risk management

# Managing our global environmental impact

**Man Group is committed to reducing its absolute carbon footprint through a combination of direct and indirect measures and to being consistent and transparent about the progress we are making. Having exceeded our goals in 2019, we have set new targets to 2022 to reduce our emissions through technological upgrades and active estate management strategies.**

## Environmental policy

We have an environmental policy in place and we have undertaken initiatives to reduce our environmental impact. Our policy is to use natural resources responsibly and to minimise the environmental impact of our activities through maximising energy efficiency, the reduction of greenhouse gas emissions and the recycling or minimisation of waste. Our UK offices, which account for 70% of our operation based on headcount, are covered by environmental operating procedures which are aligned to ISO 14001.

## Board oversight of environmental matters

The Board take overall and final responsibility for Man Group's environmental impact and ensure that our environmental policy statement<sup>1</sup> is implemented and reviewed and accept their collective role in providing environmental leadership throughout Man Group's global operations. The Board has an active commitment to continual improvement in environmental performance and appoints and delegates competent persons for day-to-day environmental management.

<sup>1</sup> Contained within Man Group's Environmental Health and Safety Policy.

## Health and safety policy

Man Group is committed to ensuring the health and safety (H&S) of its employees and any other persons who may be affected by Man Group's activities. Man Group recognises its responsibility to provide and maintain a safe working environment to prevent ill health, occupational injury and promote mental wellbeing.

Our commitment is set out in the 'Man Group Environmental, Health and Safety Policy Statement' endorsed by the Group CEO. Man Group has defined control objectives to address H&S risks which have been established for those who are responsible in the management of H&S. Man Group H&S policy objectives are aligned to the requirements of an internationally recognised H&S management system to ensure that Man Group implements a structured H&S management system, which defines Man Group's minimum H&S standards, to support the safe delivery of Man Group services globally.

## Operational environmental risk management

Man Group operates a multi-disciplinary company-wide risk identification, assessment and management process for operational climate risks which are considered 15+ years into the future. The types of risks considered within our risk management process include current and emerging regulation, technological changes and upgrades, market risks, reputational risks, acute and chronic physical operational impacts as well as upstream and downstream risks.

Man Group has also developed its own proprietary Environmental, Social and Governance (ESG) Analytics tool to monitor ESG risk including climate change. This ESG analytics platform synthesises a number of different data feeds from external data providers as well as internal, proprietary ESG data to provide an ESG risk framework.

## Environmental training and awareness

All Man Group staff complete a mandatory annual training module which outlines our environmental policy and objectives. The course describes ways in which staff can contribute to minimising our environmental footprint, such as reducing waste through re-using and recycling, developing and maintaining systems to monitor and measure our use of resources, engaging with staff and suppliers on environmental best practice and ensuring anything we purchase comes from sustainable and reputable sources. Environmental awareness campaigns are also run in offices focusing on areas such as increasing recycling, reducing energy use, cycling to work and minimising single use plastics. Such campaigns include 'Disposable Free Zones' in the Riverbank House Restaurant, promotion of the UK Cycle to work scheme and applying energy intensity metrics to rank the best and worst performing offices to promote energy saving efforts. Global environmental performance information is also published on the company intranet.

## Green buildings

Minimising our environmental impact is at the centre of our real estate strategy. We occupy six buildings certified by LEED (Leadership in Energy Efficiency and Design) and two by BREEAM (Building Research Establishment Environmental Assessment Method). These buildings provide workspace for 86% of our staff globally.

## Environmental data compilation systems

We strive to deliver clear and transparent reporting that captures the measurable elements within our control. We monitor and track our global environmental impacts using specialist ESG tracking software and an energy services consultancy, which help us to mitigate risk and reduce our carbon footprint.

## Responsible procurement

Man Group offices procure renewable sources of energy and implement zero waste to landfill services in jurisdictions where these services are available. We utilise ISO standards and ratings systems such as energy star for IT equipment and green star for paper supplies to assist us in choosing sustainable products. We also ensure all our equipment complies with the Restriction of Hazardous Substances EU Directive.

## Managing our global environmental impact continued

### Vendor management

As a condition of supplying services to Man Group, our consultants, contractors and sub-contractors are directed to use natural resources responsibly and to minimise their environmental impact through maximising energy efficiency, the reduction of greenhouse gas emissions, and the recycling or minimisation of waste. Contract managers and procurement specialists are responsible for ensuring our consultants, contractors and sub-contractors fulfil their duties in this area through contract audits and performance reviews.

### Environmental performance audits

In 2019, Man had all its UK operations comprehensively audited in line with the Energy Savings Opportunity Scheme. The recommendations from this audit have fed into our new energy saving objectives looking ahead to 2022.

### ESG-linked revolving credit facility

In 2019, Man Group converted its revolving credit facility into one which incorporates a range of ESG targets. The facility will be priced according to Man Group's performance against three sustainability linked KPIs:

- To remain a signatory to the Women in Finance Charter and increase the percentage of women in senior management roles in line with stated targets
- To increase the percentage of employees volunteering in charitable initiatives
- To maintain the highest PRI rating of A+ for our strategy and governance approach to responsible investment

If Man Group performs well against its targets, then the borrowing margin will be reduced slightly to reflect a "Sustainability Discount". If it underperforms against them, then the borrowing margin will be increased slightly to reflect a "Sustainability Premium".

### Task Force on Climate-related Financial Disclosures (TCFD)

Man Group is working to bring its future environmental reporting in line with the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD seeks to develop consistent climate-related financial risk disclosures for use by companies in providing information to stakeholders.

### Performance

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.

In 2019 total emissions (including scope 2 location-based) have decreased by 19% from 2018. This has exceeded a target of an 8% reduction set for the year. This was achieved through the first phase of a real estate strategy to streamline our data centre provision and improve operational efficiency of our property portfolio. 2019 will form a new baseline year for emission and efficiency target reductions to 2022. We also acknowledge that the reduction in greenhouse gas grid emission factors has contributed significantly towards the overall decreasing trend in Man's carbon footprint.

Emissions by scope	Year End 2019 MTCO <sub>2</sub> e	Year End 2018 MTCO <sub>2</sub> e
Scope 1 (Fuel)	1,136	1,388*
Scope 2 Location-based (Purchased Electricity)	4,253	6,144
Scope 2 Market-based (Purchased Electricity)	464	3,709
Scope 3 Air Travel	3,684	3,678
<b>Total – Location-based</b>	<b>9,073</b>	<b>11,210</b>
<b>Total – Market-based</b>	<b>5,284</b>	<b>8,775</b>

### Scope 1

We have seen a reduction by 18% from 2018 in total scope 1 emissions. This achievement has been enabled through heating and generator efficiencies at Riverbank House in London.

\*Scope 1 emissions have been adjusted in 2018 and 2019 to reflect a wider reporting boundary to ensure we are capturing all the emissions that are directly under our operational control. 2018 previously reported as 223 MTCO<sub>2</sub>e.

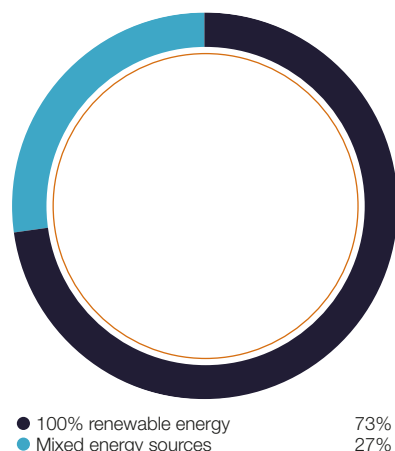
### Scope 2 Location-based

Employing country-level emissions factors, we have seen a decrease in emissions saving 1,891 MTCO<sub>2</sub>e of carbon. This is largely due to works in the United States to streamline our data centre provision and LED lighting upgrade projects in Switzerland and the UK.

### Scope 2 Market-based

The reported scope 2 market based emissions reflects our commitment to using renewable energy in jurisdictions where available. In 2019, 73% of our staff were based in offices using 100% renewable power.

### Percentage of occupancy in buildings powered by 100% renewable electricity



### Scope 3

There has been a slight increase in scope 3 emissions due to business expansion and operational requirements. We continue to monitor our air travel with a robust travel policy and approval measures in place.

### Methodology

For 2019 we have reported Scope 1 and Scope 2 carbon emissions on all sites where we have operational control. This is made up of sites that we operate less areas that are sub-metered to tenants and sites which we don't operate but have sub-meters in our demised areas. As per GHG Protocol guidance, scope 2 emissions have been reported according to a location-based method and a market-based method.

We have applied the latest Department for Energy, Food and Rural Affairs (DEFRA) and the Intergovernmental Panel on Climate Change (IPCC) emission factors. Where emissions data was not available, annualised estimates have been applied 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 Man Group's global annual emissions.



Disclosures of our voluntary scope 3 emissions are restricted to flight journeys. We are continually working to improve our tracking and reporting on other categories of scope 3 emissions with the aim to increase the number of metrics that we report on.

**Intensity metric**

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 2019 was 1,413 (2018: 1,376), as disclosed in [Note 4](#) to the financial statements.

Emissions per Employee	Year End 2019	Year End 2018
Scope 1 (Fuel)	0.8	1.0 <sup>1</sup>
Scope 2 Location-based	3.0	4.5
Scope 2 Market-based	0.3	2.7
Scope 3 Air Travel	2.6	2.7
<b>Total – Including Location-based</b>	<b>6.4</b>	8.2
<b>Total – Including Market-based</b>	<b>3.7</b>	6.2

<sup>1</sup> Scope 1 emissions have been adjusted in 2018 and 2019 to reflect a wider reporting boundary to ensure we are capturing all the emissions that are directly under our operational control. 2018 previously reported as 0.2 MTCO<sub>2</sub>e.

**Carbon offsetting**

Man Group has made an ongoing commitment to offset its reported Scope 1, Scope 2 Market-based and Scope 3 travel emissions by funding an equivalent carbon dioxide saving elsewhere. We aim to offset our emissions through a range of externally audited carbon reduction projects.

**Water**

Currently our water usage figure comes from operations within our control. In 2019, total water usage was: 27,221m<sup>3</sup> (2018: 37,401m<sup>3</sup>). The reduction in water usage in 2019 is due to cooling tower upgrade works at Riverbank House in London.

**Waste**

Man Group takes a zero waste to landfill approach in jurisdictions where these services are available. In 2019, 67% of our operations based on headcount were zero waste to landfill. Man Group is working to improve our global tracking of our waste streams to enable comprehensive reporting across all offices.

**Objectives and Targets**

We have set new goals to 2022. We aim to set a science-based target in line with the Paris Agreement on climate change, though currently science-based financial sector targets are not available. When the methodology is delivered we will adjust our targets towards the Paris Agreement as required.

**By the year end 2022**

**Global Operations**

- Set an ambitious science based emission target for all global operations

**Greenhouse Gas and Energy Scope 1 Emissions – Natural Gas & Fuel**

- Reduce our scope 1 Natural Gas and Fuel emissions by 30% through energy efficiencies saving a total of 341 MTCO<sub>2</sub>e

**Scope 2 Emissions – Electricity**

- Reduce global energy usage 10% year on year through energy efficiencies saving a total of 808 MTCO<sub>2</sub>e
- Reduce scope 2 market based emissions by 50% by increasing energy efficiency and 100% renewable power supplies saving a total of Scope 2 market-based emissions of 232 MTCO<sub>2</sub>e

**Water**

- Reduce baseline usage 2% per year saving a total of 1,600 m<sup>3</sup>

**Pfäffikon – Switzerland**



Our Pfäffikon office is powered by renewable hydro-electric energy. The office underwent a full refurbishment in 2019 which included upgrading the lighting to smart LED lamps. This has driven a saving of 8500kwh over a quarter and continues to drive energy efficiency savings.

**Riverbank House – London**



Riverbank House PV Cells



Riverbank House Green Roof

Riverbank House is rated “Excellent” via the Building Research Establishment Environmental Assessment Method (BREEAM). The building has a green roof, rainwater harvesting and solar power generation. In 2019 Riverbank House has had a key focus on reducing its natural gas usage, which saw a 30% reduction in usage as compared with 2018. We continue to upgrade plant and equipment to drive further efficiencies to reduce cost and climate impact. We are targeting a reduction of at least 15% in energy usage over 2020.

# Shaping and maintaining a strong corporate culture

## Dear Shareholder

I am pleased to present the corporate governance report for the financial year ending 31 December 2019; my first since being appointed as Chairman. This section will enable you to gain an understanding of the governance responsibilities and focus of the Board throughout the past year and its ambitions for 2020. Man Group recognises the importance of corporate governance and the Board remains committed to providing the highest standards of governance throughout the organisation.

## Board composition

Firstly, I would like to thank our previous Chairman, Lord Livingston of Parkhead, who stepped down at the end of 2019, for his contribution to the Company over his tenure. Similarly, Jonathan Sorrell announced his departure from the Company in September 2019 and on behalf of myself and the Board we would like to thank him for his contribution and we wish him well in his future endeavours. On receiving Ian's resignation the Board quickly activated its pre-arranged succession plans and, as such, did not require an external search consultancy. The Board felt that my knowledge of the Company and prior experience as Chairman on other boards made me a strong candidate for the role. As such, my appointment as Chairman was unanimously agreed by the Board in September 2019.

The Board takes succession planning seriously and recognises its importance to the Company's success and the effective functioning of the Board. We continually evaluate the skills, experience, diversity and tenure of the directors to ensure these remain appropriate.

Matthew Lester approaches his nine year tenure this year and as such stepped down from the Board with effect from 26 February 2020. Andrew Horton will also step down from the Board and his position as Audit and Risk Committee Chair following the 2020 Annual General Meeting. I would like to thank Matthew and Andrew for their service to the Company. A search process was undertaken to find a replacement Audit and Risk Committee Chair and it was announced that Lucinda Bell would be appointed as a non-executive director with effect from 28 February 2020, and would succeed Andrew as chair of the Audit and Risk Committee when he steps down on 1 May. Lucinda has significant financial expertise and listed company experience gained through her career at British Land Company PLC where she held the position of Chief Financial Officer for seven years. I am also pleased to announce the appointments of Ceci Kurzman and Anne Wade as non-executive directors. Ceci's appointment is with effect from 28 February 2020 and Anne's appointment is from 30 April 2020. Anne will also be a member of the Remuneration Committee. The Board considers these appointments are complementary to its current skillset.

## Corporate restructure

In 2018 the Board announced it was proposing to implement a corporate restructure, the rationale being to provide greater flexibility for the Group, support the effective and efficient governance of the business and to remain consistent with market practice for other asset managers. The restructure was thereafter approved by shareholders in May 2019 and concluded on 28 May 2019. This has resulted in the Company being in a stronger competitive position both within the UK and international markets to provide value over the long term. Further information on the reorganisation can be found on our website at [www.man.com](http://www.man.com).

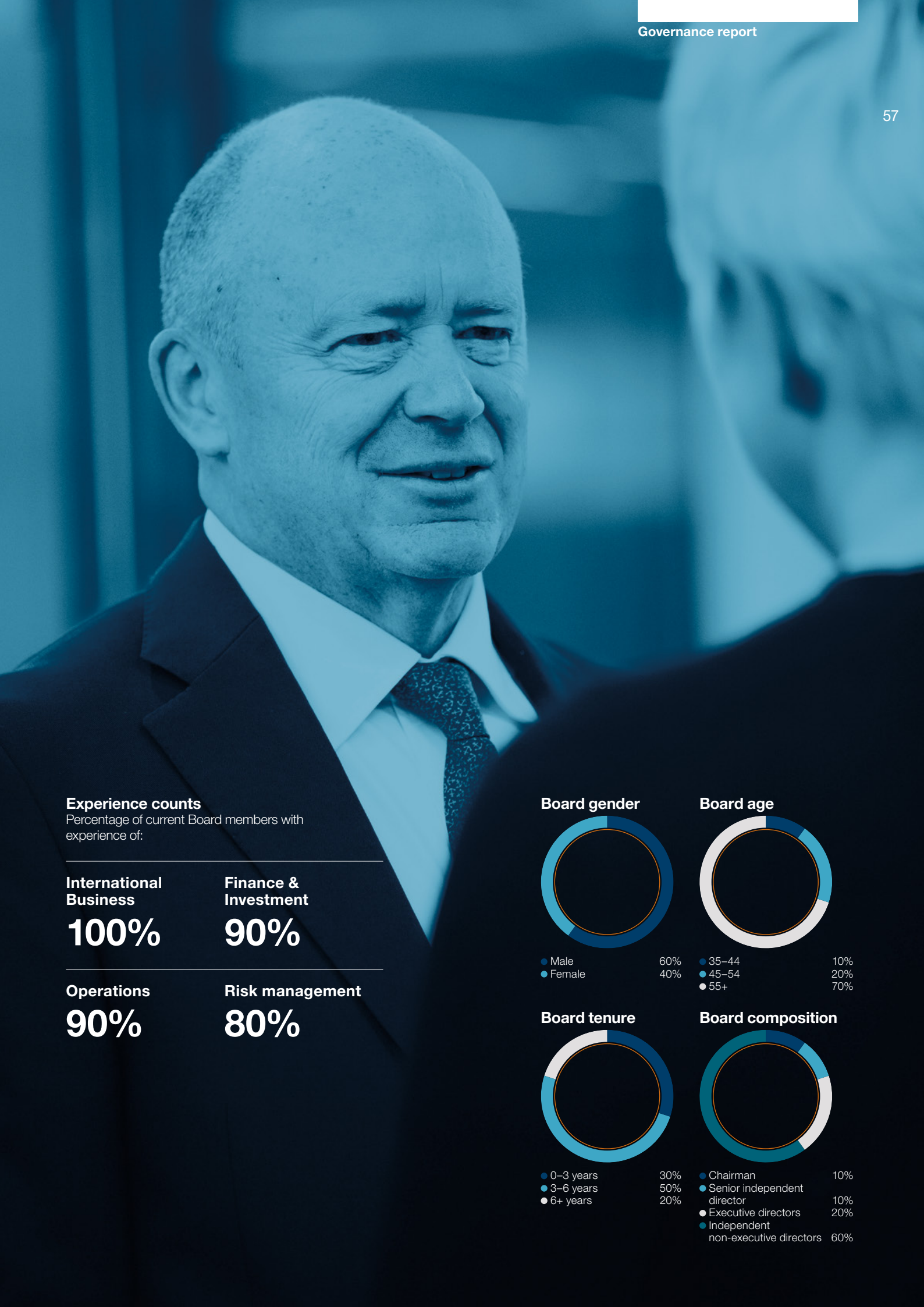
## Culture and diversity

The Board recognises its role in shaping and maintaining a strong corporate culture which aligns with the Company's overall purpose and values. The Board places emphasis on ensuring an open and collaborative environment with a focus on the development of its people. This is integral to Man Group's success and supports our focus of attracting and retaining talented staff. The Board spent a significant amount of time at its strategy day on the discussion of culture and its impact Group wide. The discussion focused on the current culture, Man's core principles and attracting and developing talent. From this exercise, the Board agreed it would focus, for 2020, on ensuring that employees felt a sense of belonging; achieved through employee communications, benefits and wellbeing initiatives and ensuring that employees felt valued for their contributions.

Further information on our people and culture can be found on [pages 44 to 47](#).

The Board recognises that diversity at Board level and within Man Group as a whole is an important topic, particularly within the industry that Man Group operates. As noted in last year's Annual Report the Nomination Committee had set a criteria of at least 25% female representation on the Board by the end of 2019. I am pleased to say that as at the date of publication of this report, we have 40% female representation on the Board and we will continue to be cognisant of gender diversity when considering future appointments.

**John Cryan**  
Chairman



**Experience counts**

Percentage of current Board members with experience of:

**International Business**

**100%**

**Finance & Investment**

**90%**

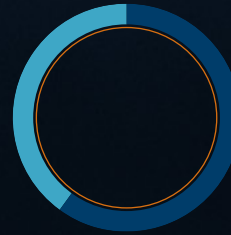
**Operations**

**90%**

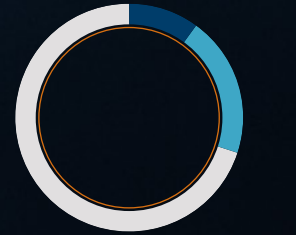
**Risk management**

**80%**

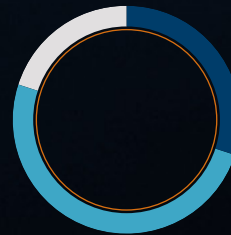
**Board gender**



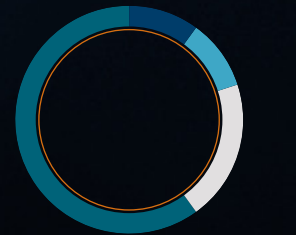
**Board age**



**Board tenure**



**Board composition**



● 0-3 years  
● 3-6 years  
● 6+ years

● Chairman  
● Senior independent director  
● Executive directors  
● Independent non-executive directors

# A balanced and effective team

- Executive Board member
- Non-executive director



**John Cryan ●**  
Chairman

**Appointed:** January 2015. Chairman January 2020

**Committees:** Nomination (Chair), Remuneration

**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 time he served as Group CFO as well as Chairman and CEO of UBS AG, EMEA. Following his time at UBS AG, 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.



**Luke Ellis ●**  
Chief Executive Officer (CEO)

**Appointed:** September 2016

**Committees:** None

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

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



**Mark Jones ●**  
Chief Financial Officer (CFO)

**Appointed:** January 2017

**Committees:** None

**Background and career:** Before joining the Board, Mark served as Co-CEO of Man GLG from 2013 and COO of Man GLG 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 clear focus on cost through the delivery of challenging cost saving initiatives, led the work on our corporate restructure, and has successfully overseen a number of changes to the structure of the Group's Risk function, as well as the implementation of our new finance and HR system, Workday.



**Dame Katharine (Kate) Barker ●**  
Independent non-executive director

**Appointed:** April 2017

**Committees:** Remuneration

**Background and career:** Kate is a business economist and was previously a member of the Bank of England's Monetary Policy Committee from 2001 to 2010. Prior to that, she was Chief Economic Adviser to the Confederation of British Industry. Her previous roles include Senior Adviser to Credit Suisse from 2010 to 2016 and non-executive director of the Yorkshire Building Society. Kate was awarded a CBE in 2005 for services to social housing and a DBE in 2014 for services to the British economy. Kate is currently Senior Independent Director of Taylor Wimpey plc, however will step down from the board at the end of July 2020. During 2019 Kate joined Saunderson House as a member of the Saunderson House Investment Committee. Kate is also Chair of Trustees for the British Coal Staff Superannuation Scheme, and from April 2020 will become Chair elect of the USS Trustee Board.

**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's strategic thinking and economic insight coupled with a strong knowledge of financial markets and is a valuable adviser and contributor to the Board.



**Zoe Cruz** ●  
Independent non-executive director

**Appointed:** June 2018

**Committees:** Remuneration

**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 her strong US perspective, Zoe is a valuable contributor to the development of Man Group's business strategy and risk management.



**Andrew Horton** ●  
Independent non-executive director

**Appointed:** August 2013

**Committees:** Audit and Risk (Chair), Nomination

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

**Areas of expertise and contribution:** Andrew has over 25 years of broad financial services experience with significant exposure to operating at Board level. With his banking, financial markets, insurance and broad international experience, Andrew has significantly contributed to Man Group's strategic development, risk management, financial reporting and increased international presence.



**Lucinda Bell** ●  
Independent non-executive director

**Appointed:** 28 February 2020

**Committees:** Audit and Risk

**Background and career:** Lucinda served as CFO of The British Land Company PLC from 2011-2018, where she also led on sustainability. Prior to that, she held a range of finance and tax roles at British Land. Lucinda is also a non-executive director and Chair of the Audit Committee at both Derwent London plc and Rotork plc, and a non-executive director of Crest Nicholson Holdings plc. She is national Trustee and Treasurer of Citizens Advice, where she chairs the audit and risk committee.

**Areas of expertise and contribution:** Lucinda has extensive financial expertise as well as experience in Environmental, Social and Governance matters. She has significant listed company experience acquired through her role as CFO at The British Land Company PLC and is currently Chair of two Audit Committees within the FTSE 250.



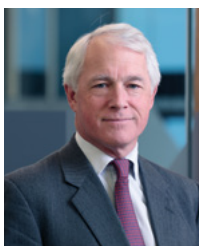
**Dev Sanyal** ●  
Independent non-executive director

**Appointed:** December 2013

**Committees:** Audit and Risk

**Background and career:** Dev has held a number of senior financial and line management positions with BP in a global career spanning 30 years. Dev is Chief Executive, Alternative Energy and Executive Vice President, Europe & Asia Regions at BP plc.

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



**Richard Berliand** ●  
Senior Independent Director (SID)

**Appointed:** January 2016

**Committees:** Remuneration (Chair), Audit and Risk, Nomination

**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 Chairman and non-executive director of TP ICAP plc.

**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.



**Cecelia (Ceci) Kurzman** ●  
Independent non-executive director

**Appointed:** 28 February 2020

**Committees:** None

**Background and career:** Ceci founded and is currently the president of Nexus Management Group. Prior to this she spent eight years at Sony as Vice President of Global Marketing for Epic Records and at Arista records where she led marketing and artist development functions. Ceci currently serves as a non-executive director on the Board of Revlon where she is also a member of the Audit and Remuneration Committees.

**Areas of expertise and contribution:** Ceci has gained extensive experience within marketing, brand management and technology, specifically digital media and digital endorsement throughout her career. She has significant experience with company launches, funding growth stage businesses and strong entrepreneurial skills.

# Board structure and composition

## Roles and responsibilities

### Independence

70% of the Board (excluding the Chairman) comprises independent non-executive directors and the composition of all Board committees complies with the Code. Additionally, the Chairman was considered independent on his appointment.

#### 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
- Oversees the Group's Sales and Marketing capability globally and Man Global Private Markets division

#### 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 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
- Has responsibility for and leads the development of the Group's corporate strategy, including merger and acquisition activity

#### 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 it to:

- Determine and review business strategy and Man Group's appetite for risk
- Monitor management performance in delivering against 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 set out on the page opposite.

#### 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 as 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

## 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

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### 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

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### 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 management development and succession planning to ensure continuity of resource

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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 in this annual report.

## 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, material acquisitions and making disposals, capital structure and funding, financial reporting and dividend policy. A full list of the Board's reserved matters is available on our website at [www.man.com/corporate-governance](http://www.man.com/corporate-governance).

### Board activity during 2019

Details of the Board's main activities and areas of focus during the year are provided on pages 62 to 63. 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 42 to 43 and 64 to 65.

### 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 Executive Governance Committee, whose members have the particular areas of responsibility shown below.

### Senior Executive Governance Committee

Member	Areas of responsibility
<b>Robyn Grew</b> Group Chief Operating Officer and General Counsel	Man Group's infrastructure – Operations, Trading Platform and Core Technology, Compliance, Financial Crime, Legal, HR, Corporate Real Estate, Business Operational Risk and Resilience, Talent and Regional COOs
<b>Mark Jones</b> Chief Financial Officer and Executive Director	Capital, Financial reporting, Risk management and relationships with Shareholders, Regulators, Banks and Auditors, Corporate Strategy, Mergers and Acquisitions
<b>Sandy Rattray</b> Chief Investment Officer	Man AHL, Man Numeric, Man GLG, Man Solutions, Man FRM and Trading and Alpha Technology



L-R. Luke Ellis, Mark Jones, Robyn Grew and Sandy Rattray.

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.

Shanta Puchtler was appointed to the Committee on 10 January 2020.

### 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.

# How the Board promotes the success of the business

## Key activities

### Developing and reviewing strategy

#### What we did

- Reviewed the progress against last year's areas of focus: Sales, Technology, Man GPM growth, Man Numeric, Man FRM and Man Solutions
- Received half yearly reviews on ELS (equity long/short), central trading, Man Numeric and Man GLG
- Reviewed Man Group's operating model to ensure it remained fit for purpose
- Deep dives on investment strategies throughout the year
- Kept under review contingency plans to allow Man Group to react to a range of Brexit scenarios
- Continued to review management proposals for a change to Man Group's corporate structure

#### Outcomes

- Agreed management proposals for a change to Man Group's corporate structure and successfully implemented a new governance structure
- Agreed to monitor the opportunities for growth within the private markets sector and agreed additional investment to support the Man GPM business as a strategic priority

### Reviewing risk appetite and risk management

#### What we did

- Reviewed the risk governance and appetite framework including business risk tolerance
- Reviewed Man Group's principal risks and updates to its risk dashboard
- Conducted a full year review of the effectiveness of its risk management and controls
- Reviewed future capital and liquidity projections and scenarios
- Reviewed the cyber risk dashboard
- Reviewed the Modern Slavery Transparency Statement

#### Outcomes

- After full discussion of dashboard risks, approved the Board's principal risk and risk management disclosures in the Annual and Interim Report see [pages 34 to 39](#)
- Refreshed the Company-wide phishing and vishing training and considered the use of new products to enhance monitoring and response capabilities
- Approved the Modern Slavery Transparency Statement

### Monitoring and challenging business performance

#### What we did

- Discussed with the CEO the impact of the 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 assumptions underlying 2020 budget and 2020/22 Medium Term Plan (MTP)

#### Outcomes

- Agreed the refinancing of Man Group's revolving credit facility to include ESG-linked KPIs
- Challenged 2020 budget assumptions on performance and costs
- Approved 2020 budget and MTP subject to ongoing review in the course of the year in light of changing market conditions

### Overseeing culture and people engagement

#### What we did

- Discussed with the CEO the 2019 employee survey scores, the analysis of feedback and the management actions planned in the year
- Discussed how we evaluate culture, how it is embedded across the organisation and how it compliments Man Group's key values
- Sought further direct exposure to members of the Executive Committee and other senior management through Board presentations and in subsequent follow up discussions
- Discussed the succession planning at both Board and senior management level
- Reviewed regular updates on management's wide ranging diversity initiatives to create an inclusive environment across the business

#### Outcomes

- Commended the overall positive outcome of the 2019 employee survey. Requested that management review feedback and devise appropriate action plans
- Agreed to appoint two designated non-executive directors to meet with colleagues firm wide to ascertain direct evidence of Man Group's culture, feedback on Man Group's employee proposition and general sentiment
- Agreed to instigate a search process for a new non-executive directors
- Sponsored and participated in diversity events led by staff



## Key areas of focus

### Innovation and technology

#### Technology

- Reviewed progress of the central trading programme and cost savings for clients
- Discussed Man Group's corporate technology strategy and how Environmental, Social and Governance (ESG) factors could be incorporated

#### Innovation

- Creation of ESG Chief Investment Officer to further develop our ESG investment expertise
- Discussed the development of various new strategies across credit, private markets and multi-strategy to further diversify our offering to clients
- Renewed Man Group's funding of the Oxford Man Institute to assist in developing intellectual capital, talent and longer term research projects over time

### 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 capital and liquidity positions under various scenarios
- Reviewed firm's credit rating position and Revolving Credit Facility (RCF) refinancing
- Discussed impact of the corporate restructure on firm's capital position and range of current and future financing options
- Assessed merits of returning further capital to shareholders compared to potential value of acquisitions
- Approved launch of a further share buyback programme of \$100m

### Strong client relationships

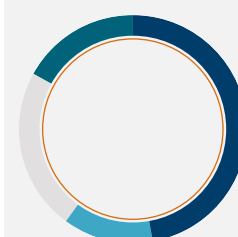
#### Client relationships

- Reviewed and discussed with the sales team the opportunities within the Canadian pension market
- Reviewed market flow trends in various sub-sectors that Man Group operates in and future areas of client demand

#### 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

### Proportion of Board time spent on key activities



● Strategy (including innovation and tech)	47%
● Risk management	13%
● Performance	23%
● Culture and people and stakeholders	17%

### Board meeting attendance

The Chart below shows the Board attendance throughout the year:

Board Member	Attendance
Ian Livingston <sup>1</sup>	7/7
Kate Barker	7/7
Richard Berliand	7/7
Zoe Cruz <sup>2</sup>	6/7
John Cryan	7/7
Luke Ellis	7/7
Andrew Horton	7/7
Mark Jones	7/7
Matthew Lester <sup>3</sup>	7/7
Dev Sanyal	7/7
Jonathan Sorrell <sup>4</sup>	4/7

1 Ian Livingston resigned from the Board on 31 December 2019.

2 Zoe Cruz did not attend the September 2019 Board meeting due to a prior commitment.

3 Matthew Lester stepped down from the Board on 26 February 2020.

4 Jonathan Sorrell resigned in September 2019 and so did not attend the last three Board meetings of the year.

# Stakeholder engagement

## Shareholders

The Board is committed to ongoing engagement with its shareholders and it does this in the following ways:

### Institutional investors

The Company has in place an 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 2019 investor calendar is set out opposite. Key areas which the CEO and CFO have discussed with investors throughout the year have included:

- Investment performance across our range of strategies
- Flows, interaction with clients, client concentration, product innovation and margin trends
- Capital management including capital returns and acquisition strategy
- Brexit and its potential impact on the Group's operations
- Proposed corporate restructure

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

### 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 are also available. Our website gives access to our Registrar's Shareview website ([www.shareview.co.uk](http://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. A shareholder mailbox is also available to answer any queries ([shareholder@man.com](mailto:shareholder@man.com)).

## Shareholder meetings

The Board welcomes its shareholders to the Annual General Meeting (AGM) each year. At the AGM the CEO provides an overview of the progress of the business and its focus and outlook going forward. 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 the website after the meeting. At the AGM held in 2019, the resolution relating to the disapplication of pre-emption rights authority in connection with an acquisition or specified capital investment, received a vote against of more than 20%. In line with the 2018 Corporate Governance Code the Board considered this result and engaged in discussions with shareholders in order to better understand their reasons. From this exercise it was ascertained that shareholders may have preferred to have the opportunity to vote on specific proposals for a transaction requiring this level of pre-emptive issue. The Board will continue to engage with its shareholders, through its investor relations team in the run up to the Company's 2020 AGM.

## Calendar of investor events



- Q1 2019**
- 2018 year end results
  - 2018 year end report published
  - UK Investor Roadshow (London)
  - US Investor Roadshow
  - Morgan Stanley Annual European Financials Conference



- Q2 2019**
- Q1 2019 Trading Statement update
  - Shareholder engagement on 2018 Directors' Remuneration Report, Audit policy and AGM voting
  - UBS Pan European Small and Mid-Cap Conference
  - Annual General Meeting
  - Goldman Sachs European Financial Services conference



- Q3 2019**
- 2019 interim results released
  - 2019 Interim Report released
  - UK Investor Roadshow (London)
  - US Investor Roadshow
  - Barclays Global Financial Services Conference
  - Citi Small and Mid Cap Conference
  - Bank of America Merrill Lynch Annual banking and Insurance Conference



- Q4 2019**
- Q3 2019 Trading Statement released
  - UBS European Conference

## Employees

- Two non-executive directors were appointed to engage directly with the global workforce. Further details on this process can be found on [page 67](#)
- Sought feedback from business unit heads on staff sentiment and the impacts of team and business change
- Explored in depth the outputs from the 2019 employee 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
- Discussed with management the nature of Man Group's culture and the embedding of its business values and their impacts
- Received regular updates on progress of Man Group's diversity initiatives and participated in employee led Drive network events
- Engaged directly with management, at Executive Committee level and below, within formal Board presentations and follow up discussions.

Further information can be found on [pages 44 to 47](#).

### Whistleblowing and safeguarding

Man Group endorses an open and collaborative environment and one where employees feel that they are able to raise their concerns. The Company operates, through a third party provider, a service whereby issues can be raised by employees anonymously. Staff are also made aware of Man Group's whistleblowing procedures and the effectiveness of these procedures are reviewed by the Audit and Risk Committee.

## Communities

- Maintained an 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
- Approved a charitable donation to Kings College Mathematics School
- Received updates on the activities of and impacts of grants made by Man Group's UK and US Charitable Trusts which is focused on improving standards of literacy and numeracy in local communities and more broadly
- Discussed opportunities for internships at the Company.

Further information can be found on [pages 50 to 51](#).

## Clients

- Continued to review trends in investor appetite and allocations across asset classes, including trends towards credit and private markets allocations during the year
- Discussed underlying drivers of change in client behaviour during 2019 and sales priorities for 2020
- Maintained focus on investors' increasing interest in Man Group's Responsible Investment approach and client behaviour in this area
- Kept updated by the sales team on the development of Man Group's existing client base, the identification of top clients we believe we can serve in the future and progress on strategies to respond to their needs
- Requested and received regular deep dive reviews of large institutional clients and the management and development of their relationships with Man Group.

Further information can be found on [pages 15 and 19](#).

## 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 service 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 and Transparency Statement
- Considered, as part of the review of Man Group's corporate restructure, any potential impact on business partner relationships and continued to monitor this post completion.

# Board strength and effectiveness

## Board profile

Man Group's Board is a highly skilled, committed and diverse group of individuals who are focused on understanding its strengths, its challenges and contributing to its success. The biographies set out on pages 58 to 59 evidence that all members of the Board have extensive experience within financial services as well as bringing critical skills from their other or previous appointments at other companies. The pie charts on page 57 provide an analysis of the Board's diversity in terms of skills base, length of tenure, age group and gender. The Board acknowledges the Parker Report on ethnic diversity of UK Boards and fully appreciates the benefits of an ethnically diverse Board and is cognisant of this when considering new appointments.

The Board and its Committees hold meetings throughout the year at regular intervals. During the year the Board met formally seven times and this included a strategy day. Attendance of the Board can be seen on page 63 and the attendance of the Committees can be found in the separate Committee reports. The Board invites the Chief Investment Officer and the Chief Operating Officer to attend the Board meetings in order to give further detail and management perspective on matters discussed at the Board, however they do not contribute to any decision making.

Board meetings are conducted on the basis that all written materials submitted are thoroughly reviewed in advance so as to maximise time for discussion rather than presentations taking place at the meetings. The role of the non-executives is to challenge proposals and approaches where necessary. The non-executives utilise their experience to suggest alternative approaches or ideas that management have not considered. Board debate and decision making are structured in such a way as to allow all views to be heard.

## Board independence and time commitment

Our other non-executive directors are fully independent and our Chairman was independent on his appointment to the role. Board members are required to inform the Chairman of any updates or changes they are considering to their external roles which may conflict with their responsibilities at 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.

The Board is also conscious of the demands that being a director of a FTSE 250 company entails and the necessary time commitment required. Any new external director appointment will be assessed by the Board for its impact on their ability to discharge their duties as a director of Man Group plc adequately. Given the increased focus of over-boarded directors by the 2018 UK Corporate Governance Code all directors' time commitments have been thoroughly reviewed and the Board will monitor and revisit this at least annually and before any additional external appointment is taken.

## Board induction process

All non-executive directors receive a comprehensive and tailored induction to the business and, if required, the asset management industry. The programme is structured around one-to-one briefings with the executive directors, Senior Executive Governance Committee members, the heads of Group businesses and the Company Secretary, covering their respective business areas. An outline of the usual programme is given below with further detail available on the website. The induction programme is kept under review and is updated in response to feedback or changes within the business.

John Cryan was appointed as Chairman on 1 January 2020. As John had already served as a non-executive director for five years it was agreed that a formal induction process was not required. Instead John will meet with key management throughout the Group.

## Non-executive director 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 the 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

## Employee engagement process



The Board sought to expand its approach to engagement with the workforce as a whole. Our two non-executive directors who were appointed by the Board to engage directly with the global workforce, Kate Barker and Zoe Cruz, conducted a series of discussions with staff from business units across Man Group. The findings were then presented to the Board, and an in depth discussion on how these could be addressed took place at the November 2019 Board meeting.

A key theme highlighted during the process was enhanced communication of Man Group's strategy and growth plans to employees. In response to this, the town hall presentations in Boston, New York and London given by Luke Ellis (and other Senior Executive Governance Committee members) following the release of the firm's year end and half year results, and quarterly trading statements, were expanded to provide employees with further detail (as appropriate) on the development of the firm. Further themes highlighted included the diversity of Man Group's workforce and communication with Man Group's regional offices which the Board also considered and discussed.

The process proved highly insightful, and the Board agreed that the results would be invaluable in enabling better informed decisions, the effects of which would be closely monitored through continued ongoing engagement during 2020.

## Board education and training

The Board is kept updated on key areas of the business and upcoming regulatory changes through the following methods:

- Briefing papers included within Board papers
- Presentations from senior management and other employees on specific issues
- Educational sessions from external advisors where necessary

The main topics addressed during the year were:

### Senior Managers and Certification Regime (SMCR)

- Impact of the SMCR requirements given from the Global Head of Compliance
- Agreed post implementation reviews in order to monitor progress and impacts

### Corporate restructure

- Impact of the restructure post implementation, specifically the new corporate governance framework

### 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

### Hedge fund industry update

- 2019 hedge fund industry outlook and key investor trends provided by Barclays
- Implications for Man Group's strategies and client allocations considered for 2019

### Auditor briefings

- Update on new Corporate Governance and financial reporting requirements to be incorporated into the 2019 Annual Report
- Actions agreed for the forthcoming annual report preparations

### Non-executive training sessions

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.

# 2019 Board evaluation

The Board undertakes an external evaluation every three years in accordance with the requirements of the 2018 Corporate Governance Code, with internal evaluations being undertaken in the intervening years. The last external evaluation was carried out in 2018 with the next one due in 2021.

## External evaluation

The external evaluation was completed last year and the below actions were highlighted as areas of focus in 2019. The Board considered the actions throughout the year and made the following progress.

## Board evaluation assessment

Areas of assessment	Agreed actions	Outcomes during 2019
<b>Quality of Board papers and presentations</b>	Consider prioritisation of papers on the agenda and provide further clarity as to 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.	During the year a Board paper review was completed.
<b>Board dynamics – non-executive/ executive engagement</b>	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.	The Board has a good understanding of its role and ensures that NEDs' requests for clarity are made clearly and well in advance.
<b>Consideration of people and culture</b>	Broader focus and more extensive Board conversations, led by the CEO, on Man Group's people and culture. Improve people oversight through the development of Board/employee engagement mechanisms in line with Corporate Governance Code requirements. Drive forward the talent and succession agenda.	During the Board strategy day 2019 Man Group's culture was a key focus. In the year the Board undertook an analysis of Man Group's culture and principles. The Board continue to evolve Man Group's culture and this will remain an ongoing focus. To deepen the Board's appreciation of the views of the workforce Kate Barker and Zoe Cruz were appointed employee representative NEDs.
<b>Consideration of stakeholder interests</b>	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.	The Board consider stakeholder views as part of its decision-making process. Further information can be found on pages <a href="#">42-43</a> and <a href="#">64-65</a> .
<b>Board education and training</b>	Continue to keep the Board updated on industry trends, regulatory impacts and business developments through engagement with external advisers and internal experts.	Updates were provided throughout the year on topical issues and will continue to be provided.
<b>Quality of company secretarial and administrative support</b>	Maintain proactive and reliable level of service.	Continued to provide a proactive and reliable level of service.

## Internal evaluation

An internal evaluation was carried out in 2019 and took the form of a questionnaire which built on the actions identified in the external evaluation in 2018. The internal process included seeking director feedback on areas conducive to an efficient and effective Board.

The below is a summary of the results for 2019:

	Comment	Agreed 2020 actions
<b>Board composition</b>	Man Group benefits from a wide range of experience and expertise across the Board. We continue to seek to add diverse skill sets and to our gender balance.	<ul style="list-style-type: none"> <li>Keep under review the overall skills on the Board to ensure all key areas of expertise are covered.</li> <li>Continue to make progress on gender diversity on the Board.</li> </ul>
<b>Management succession/development</b>	The Board supports senior management development and seeks to promote internal successors to senior management positions where appropriate.	<ul style="list-style-type: none"> <li>Continued oversight of firm wide succession planning by the Board.</li> <li>Continue to support and promote internal successors to senior management roles.</li> </ul>
<b>Stakeholders</b>	Stakeholders are an important factor in Board decision making. The Board focuses on relationships with all key stakeholders.	<ul style="list-style-type: none"> <li>Continue with deep dives into our people, customer and supplier stakeholder groups.</li> <li>Board to continue to receive regular presentations on key customer relationships.</li> </ul>
<b>Culture/people</b>	People and culture was a key topic of discussion for the Board this year with employee engagement high on the agenda.	<ul style="list-style-type: none"> <li>Board to receive papers on staff development and recruitment.</li> <li>Continue to assess the annual employee engagement survey.</li> <li>Continue the employee engagement process by non-executive directors begun in 2019.</li> </ul>

The Board, with the assistance of the Company Secretary, will incorporate the above actions into the agenda for 2020.

## 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 found on [pages 70 to 98](#).

## Review of individual director contributions

Annually, the Chairman discusses the evaluation feedback on personal contributions to the Board during the year with each Board colleague individually. These conversations identify 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, would normally provide feedback to the Chairman from Board members; however, as Ian Livingston resigned from the Board on 31 December 2019 and John Cryan became Chairman on 1 January 2020 it was decided not to undertake this exercise.

## Corporate Governance Code Compliance Statement

The Company has, throughout the year ended 31 December 2019, complied with the 2018 UK Corporate Governance Code (the Code) except in relation to the following:

### Setting the Chairman's remuneration

Provision 33 of the Code recommends that the Remuneration Committee has responsibility for setting the remuneration of the Chairman. 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 determination of the Chairman's remuneration and as such this is a matter reserved for the Board.

### Using an external search consultancy for Board appointments

Provision 20 states that an external search consultancy should generally be used when appointing a Chairman. However, for the appointment of the Chairman the Board activated its prearranged succession plans and as such did not require the use of an external search consultancy.

## Audit and Risk Committee report



**Andrew Horton**  
Chairman, Audit and Risk Committee

### Membership and meeting attendance

The members of the ARCom and their meeting attendance during 2019 are set out below. Following his appointment as Board Chairman, John Cryan stepped down from the ARCom at the end of the year.

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 2018 UK Corporate Governance Code (the Code). Further details of the ARCom members' experience and areas of expertise are provided on pages 58 to 59.

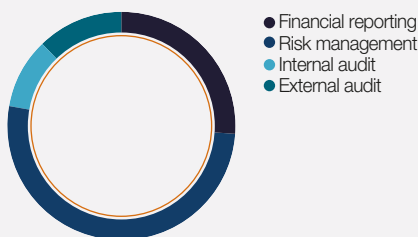
The Board Chairman, CEO, CFO, and Group Chief Operating Officer and General Counsel are invited to attend ARCom meetings along with the Head of Internal Audit and representatives from Deloitte LLP (Deloitte), the Group's external auditor. Other members of the senior executive management team attend for 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.

### Attendance

Committee member	Meetings attended
Andrew Horton	6/6
Richard Berliand	6/6
John Cryan <sup>1</sup>	6/6
Matthew Lester	6/6
Dev Sanyal	6/6

<sup>1</sup> Stepped down as an ARCom member on 31 December 2019 following appointment as Board Chairman

### Proportion of ARCom time spent on key responsibilities (%)



**The Audit and Risk Committee 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.**

### Dear shareholder

During the year the Audit and Risk Committee (the ARCom) 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 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 scrutinised the new governance structure introduced under Man Group's corporate reorganisation and monitored its implementation, and further developed its understanding of the risk and control environment within Man GPM.

**Andrew Horton**  
Chairman, Audit and Risk Committee

### 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, Group COO and General Counsel, 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 below, together with an explanation of how it has discharged its responsibilities during the year. Full terms of reference for the ARCom, which are reviewed on an annual basis and referred to the Board for approval, are available on the Company's website.

### 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
- Review the directors' solvency statements required by Jersey law
- 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 see pages 35 to 36 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 Internal Capital Adequacy Assessment Process (ICAAP) for the European sub-group and satisfy itself that the preparation process steps were followed
- 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 representation 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 72](#).

### Viability and going concern

The ARCom reviewed the viability statement (as set out on [page 35](#)) and the processes supporting the viability assessment. After significant discussion and having considered the Group's prospects, emerging and principal risks, forecast capital position 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 116](#)) 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 position, performance, business model and strategy.

## Key accounting judgements and estimates

Matter considered	Action	Outcome
<p><b>Impairment assessment of goodwill and acquired intangibles</b></p> <p>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.</p> <p>Please refer to <a href="#">Note 10</a> in the Group financial statements for further details.</p>	<p>The ARCom considered reports from management outlining the methodology for the impairment assessment and challenged the assumptions underpinning the goodwill valuation model including cash flow projections, discount rates, the cost allocation methodology, and levels of headroom availability.</p>	<p>The ARCom noted the low levels of headroom in relation to the Man GPM cash generating unit, discussing the underlying forecasts in detail and the sensitivity of changes in various assumptions. After debate and challenge, the ARCom concluded that no impairment expense was required to be recorded for the year ended 31 December 2019.</p>
<p><b>Fair value of contingent consideration</b></p> <p>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.</p> <p>Please refer to <a href="#">Note 26</a> in the Group financial statements for further details.</p>	<p>The ARCom considered management's fair value assessment of the contingent consideration creditors of the Numeric, Aalto, Pine Grove, BAML, Sanlam and Silvermine earn-outs. The call option relating to the final Numeric earn-out was exercised in the year, with \$154 million paid in relation to this. The \$37 million credit to the income statement represented a decrease in the fair value of the contingent consideration creditors, largely driven by lower than expected Numeric 2019 performance and forecast refinements as we approached the final payment, and lower than previously forecast growth for Aalto.</p>	<p>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 \$37 million has been recognised in the income statement.</p>
<p><b>Consolidation of investment in funds</b></p> <p>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.</p> <p>Please refer to <a href="#">Note 13</a> in the Group financial statements for further details.</p>	<p>The ARCom reviewed management's assessment of the investments which the Group is deemed to control in accordance with IFRS 10.</p>	<p>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. Fifteen investments have been consolidated on a line by line basis with a grossing up impact on the balance sheet of \$224 million.</p>
<p><b>Deferred tax assets (DTA)</b></p> <p>The Group has 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 US DTA recognised requires judgement regarding the assessment of probable future profits.</p> <p>Please refer to <a href="#">Note 7</a> in the Group financial statements for further details.</p>	<p>The ARCom discussed the methodology underpinning the future forecast profits which supported the valuation of the US DTA and challenged management's assessment.</p>	<p>The ARCom confirmed that it was satisfied that recognition of the US DTA in full on the Group's balance sheet was reasonable. A movement in the DTA of \$27 million has been recognised in the income statement.</p>
<p><b>Alternative performance measures (APMs)</b></p> <p>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.</p> <p>Please refer to <a href="#">pages 148-151</a> for further details.</p>	<p>The ARCom reviewed and discussed the APMs contained in the interim and annual reports and also considered a paper prepared by management which compared adjusted profit to operating cash flows for the last five years in aggregate.</p>	<p>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, including adjusted profit before tax, 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 <a href="#">pages 148 to 151</a>.</p>

## Risk management, internal controls and compliance

### Oversight of risk and control environment – key business areas

The ARCom provided scrutiny of the changes proposed by Man Group's corporate reorganisation, and devoted significant time to the identification of disruptive market forces and the consideration of how such risks were managed and mitigated. The ARCom also continued to monitor the progress of the infrastructure and governance framework within the Man GPM business, receiving an update in February from senior representatives from Man GPM. Key areas of discussion are set out below.

#### Business disruption presentations

In response to the output of the 2018 ARCom evaluation, the ARCom identified potential sources of disruption in the market within which Man Group operates. In depth presentations were then received by the ARCom during 2019, with a particular focus on specific aspects of Cyber and IT risk, providing the ARCom with a greater understanding of the internal controls in place to guard against and mitigate the impact of any disruption stemming from such risks.

#### Corporate reorganisation

The ARCom meeting in April was dedicated to scrutiny and challenge of the new governance, risk, and control structure which would be introduced under the Group's corporate reorganisation. Discussion focused on the implications of the new holding structure and the treasury framework which would be introduced, and the ARCom were able to consider whether the proposed structure would result in any changes to the Group's external reporting requirements.

Following the approval of the corporate reorganisation by shareholders in May, the ARCom received a further report on the implementation of the governance structure at its December meeting, allowing the ARCom to monitor the progress of the embedding of the revised governance and risk control processes.

#### Man GPM

The ARCom continued to monitor the extent to which Man GPM's infrastructure and governance framework had been embedded, changes to the investment process and resourcing plans to support the growth of the business. The ARCom also discussed and challenged future changes proposed by management in the approach to integration of acquisitions.

### 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 (see page 61 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 which were driven by the corporate reorganisation. The ARCom endorsed the revised Framework and recommended it to the Board for approval. The ARCom also received an update on the role of the Investment Risk team, which enabled the ARCom to develop its understanding of the controls in place to mitigate investment underperformance risk through close collaboration between Investment Risk and the investment teams.

#### Compliance

During the year, the Global Head of Compliance & Regulatory presented the 2019 Compliance overview. Particular focus was given to developments in financial regulation, including MiFID II and the Senior Managers Certification Regime (SMCR) and their impact on the business and the industry in general. Consideration was also given to resourcing levels and the use of technology across the Compliance function, global themes around regulatory risk, current priorities of key regulators and Compliance initiatives. The ARCom continued to monitor steps taken by the management team to improve awareness of the channels available to Man Group's workforce to raise concerns.

In addition, the Money Laundering and Reporting Officer (MLRO) presented his 2018 annual report in the first half of 2019 and confirmed that Man Group had established and maintained an effective anti-money laundering/counter terrorist financing 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 2019. The ARCom discussed personnel changes in the Finance team, resourcing levels and priorities for 2020. During the year, the Committee also received an update 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 2019.

#### Technology

The Group's Global Head of Operations updated the ARCom on the key technology initiatives for 2019, together with the associated risks and mitigants including the development of intelligent automation to enhance certain processes, and the utilisation of outsourcing where appropriate. Particular focus was given to the benefits that such initiatives 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. The ARCom reviewed and discussed current trends and themes in cyber security and received in-depth updates throughout the year on specific areas of focus which it identified, providing scrutiny of the controls in place to mitigate the associated risks.

74 **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 pages 35 to 36.

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 2019 and February 2020 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****2019 Internal Audit Plan**

The Group's Internal Audit function continues to be performed by KPMG. During the year, the ARCom reviewed and approved the 2020 Internal Audit Plan which included details of the planned audit reviews for 2020 and the team responsible for delivering the plan, led by Stuart Wooldridge who took over the role during the year.

The ARCom received and discussed Internal Audit reports presented by the Head of Internal Audit at each meeting and monitored progress against the 2019 Plan. Whilst no significant weaknesses were identified in any of the Internal Audit reports, a number of improvements to certain processes and controls were implemented in response to the recommendations put forward.

In response to a request from the ARCom, the Internal Audit function provided a summary of key trends observed in its reports over the previous five years, highlighting improvements to the management awareness ratings over the period, and the reduction in the number of overdue items, which was largely attributable to increased discipline around the monitoring and closure of internal audit findings.

**Effectiveness of Internal Audit function**

During the year, an internal review of the Internal Audit function was undertaken in order to assess its effectiveness. The review, which involved interviews with ARCom members and key stakeholders evaluated areas such as resourcing, delivery, reporting, and the independence of internal audit. The output of the review indicated that, overall, the Internal Audit function continued to be effective and provided an independent perspective on the Group's control environment which was of the quality, experience and expertise appropriate for the business. 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****2019 External Audit Plan**

At the October meeting, the 2019 External Audit Plan was presented by Deloitte. David Barnes 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 oversight of the hiring of personnel from the external auditor should this occur. 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 for the previous three years, 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 2018 and 2019.

	2019 \$'000	2018 \$'000
Fees payable to the external auditor for the audit of the Company and the consolidated financial statements	607	458
Other services:		
The audit of the Company's subsidiaries pursuant to legislation	1,783	1,608
Audit-related assurance services	490	345
All other services	701	59
Total auditor's remuneration	3,581	2,470

Non-audit fees in 2019 equate to around 50% of the average statutory audit fees for the previous three years (2018: 15%), excluding regulatory fees which are exempt from the fee cap, with the majority of the non-audit fees in 2019 related to Deloitte acting as Reporting Accountant in relation to the corporate reorganisation. Given the scale of the project and the timeline for its completion, it was agreed that due to Deloitte's existing understanding of the Group, it should be selected to conduct the work, the fees for which totalled \$0.6m. This was separately pre-approved by the ARCom in accordance with the non-audit services policy.

Other increases were driven by changes to the audit scope as a result of the corporate reorganisation and additional work relating to the implementation of Man Group's new general ledger, consolidation and HR system. No prohibited services have been provided by our external auditors.

Following a formal assessment of the external auditor's independence and objectivity in February 2020 the ARCom concluded that Deloitte continued to be independent and objective.

**Effectiveness of external audit process**

At the May 2019 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 coordination of the work undertaken by the internal and external auditors, had been addressed in the 2018 audit. A number of areas, primarily around the continued monitoring of transitional issues that may arise following the key audit partner’s rotation off the Man Group audit and the streamlining of reports to ARCom, were identified as requiring further consideration and Deloitte’s plans to address these issues were set out in the 2019 audit plan. After extensive discussion, the ARCom concluded that the external audit process in respect of the 2018 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 2020 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 2018 evaluation as requiring further consideration and development during 2019, together with progress that has been achieved in 2019.

2019 progress on 2018 actions	
2018 evaluation	2019 progress
<b>Further debate around potential sources of business disruption in the market</b>	Meetings were extended by 30 minutes to allow the ARCom sufficient time for free form risk discussions, resulting in several in-depth updates being provided to the ARCom in 2019 detailing the controls in place to mitigate the disruptive impact of the risks identified during such discussions.
<b>Streamlining of certain ARCom papers to avoid duplication</b>	A number of changes were made to the ARCom board paper reporting format to ensure that certain papers were appropriately focused, including the inclusion of “highlights” or “summary” papers rather than the more detailed full reports (the full reports also being made available as an additional resource for ARCom members).
<b>Continuing to keep ARCom attendance under review</b>	Attendance at ARCom meetings was kept under review and further feedback was sought as part of the ARCom effectiveness evaluation in December 2019.

In December 2019, following the external review carried out in 2018, the ARCom conducted a further evaluation of its effectiveness, which was facilitated internally. Questionnaires covering topics such as composition, meeting effectiveness and engagement with the Internal Audit function and with Deloitte were circulated to all ARCom members. The results confirmed that the ARCom was operating effectively, and responses indicated that the ARCom meetings continued to be well structured with agendas covering a wide range of topics. Areas identified for focus in 2020 included the integration of competitor benchmarking into reporting, and the conducting of risk and control reviews of Man’s investment management businesses.

**Andrew Horton**  
Chairman, Audit and Risk Committee

## Nomination Committee report

**John Cryan**  
Chair



### Attendance

Committee member	Meetings attended
Ian Livingston (Chairman) <sup>1</sup>	1/1
John Cryan <sup>2</sup>	1/1
Richard Berliand	1/1
Andrew Horton	1/1

<sup>1</sup> Ian Livingston stepped down as Chairman on 31 December 2019.

<sup>2</sup> John Cryan was appointed a member of the Committee on 1 October 2019 and became Chairman of the Committee on 1 January 2020.

Luke Ellis attends meetings by invitation of the Committee.



## The Committee continues its drive to improve diversity resulting in current representation of women on the Board of 40%.

**John Cryan**  
Chair, Nomination Committee

### Committee activity during the year

During 2019, the Committee had, consistent with its role and responsibilities, continued to review potential succession planning options, including consideration of the key criteria for the role of Chairman and the identification of any current directors who may be suitable succession candidates should the need arise.

Ian Livingston informed the Board he would step down from his role as Chairman of the Company, with effect from 31 December 2019. On receiving Ian's resignation the Board quickly activated its prearranged succession plans and as such did not require an external search consultancy or open advertising. The Board felt that my knowledge of the Company and prior experience as Chairman on other Boards made me a good candidate for the role. As such my appointment as Chairman was unanimously agreed by the Committee and the Board. Neither Ian Livingston nor I took part in Committee or Board discussions on the appointment of the Chairman.

Jon Sorrell stepped down as President and executive director on 11 September 2019.

As previously announced, Matthew Lester stepped down as a non-executive director on 26 February 2020 and Andrew Horton will step down as a non-executive director at the conclusion of the AGM on 1 May 2020. Following an external search, Lucinda Bell and Ceci Kurzman were appointed as non-executive directors with effect from 28 February 2020 and Anne Wade was appointed as a non-executive director with effect from 30 April 2020.

As in previous years the Committee maintained its focus on executive management development and succession. With input from the CEO, the current composition of the Board was reviewed, confirming the committee's desire to increase Board diversity. The Committee reviewed the feedback from the 2019 evaluation and agreed its priorities for 2020. More detail on all the Committee's activities during the year are provided below:

- Keep under regular review the Board's composition in term of size, structure, composition, skills, knowledge, experience and diversity 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.

## New Non-Executive Appointment

During the latter part of the year, the Committee undertook a search for new non-executive directors to bring additional skills and experience to the Board. With the support of Heidrick & Struggles, an executive search firm which has no other connection with the Company or any individual director, the Committee interviewed potential candidates.

The Committee recommended to the Board the appointments of Lucinda Bell, Ceci Kurzman and Anne Wade as additional non-executive directors. Following the Committee's recommendation, the Board approved the appointments of Lucinda and Ceci as non-executive directors with effect from 28 February 2020 and Anne with effect from 30 April 2020. Lucinda will be a member of the Audit and Risk Committee and will succeed Andrew Horton as Chairman of the Audit and Risk Committee when he steps down in May 2020 and Anne will be a member of the Remuneration Committee. Biographies for Lucinda and Ceci are on [page 59](#).

## Review of Diversity

### Board diversity

In 2019 the Committee recommended and the Board agreed that, in line with the 2018 Hampton-Alexander review recommendations and its drive to improve diversity, the diversity policy should be amended to include a target of at least 25% for women representation on the Board in the short term and a target of at least 33% in the medium term. The policy, which has been approved by the Board, is set out below. At present women representation on the Board is 40%.

### 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 in all its forms 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 [44](#) and [47](#). This also provides detail on the progress of gender balance among senior management and their direct reports and 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 Kate Barker whose current three year term was due to expire in the first half of 2020<sup>1</sup>. It agreed taking account of the current cycle of Board development and succession and the feedback on her contribution in the 2019 Board evaluation, to recommend the renewal of her appointment for approval by the Board for a further three years.

<sup>1</sup> The Board member took no part in the consideration of the renewal of her own appointment.

### Committee evaluation and priorities for 2020

This year's Committee evaluation was conducted as part of the main Board evaluation. The responses were consolidated in an unattributed summary report and submitted to the Board. Further details on the process can be found on [page 69](#).

The priorities for the Committee in 2020 are:

- Additional non-executive skills – Conduct a search for non-executive directors with exposure to asset management or related businesses with a focus on technology or people issues.
- Diversity – continue to focus on diversity, including but not limited to gender diversity, as part of the above search by seeking diverse shortlists.
- Management and Board succession – continue to strengthen the focus on succession planning.

## 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 at least 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

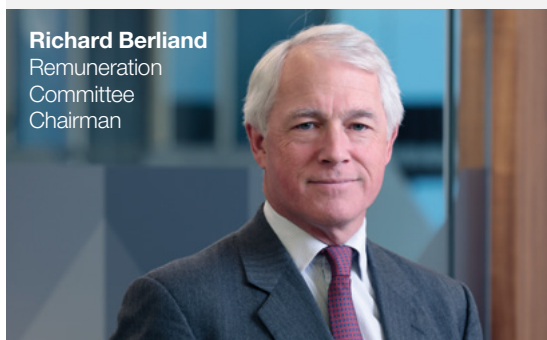
The Board continues to encourage and oversee the output from a wide range of recruitment and people development policies and initiatives led by the executive management which aim to grow the diversity of Man Group's talent pool, provide development opportunities for all and embed an inclusive culture. 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 Berliand**  
Remuneration  
Committee  
Chairman



### The Remuneration Policy continues to operate broadly as intended.

#### Role of the Remuneration Committee

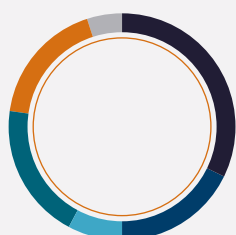
- Determine the Company's remuneration philosophy and the principles and structure of its Remuneration Policy
- Propose the specific remuneration policy for the executive directors, for approval by shareholders, and make remuneration decisions within that approved policy
- Approve the total annual compensation for the executive directors, Executive Committee members and Remuneration Code staff
- Recommend to the Board the remuneration of the Chairman
- Review and consider shareholder feedback and agree the approach to ongoing shareholder engagement

#### Attendance

Committee member	Meetings attended
Richard Berliand (Chairman)	6/6
Lord Livingston of Parkhead	6/6
Zoe Cruz <sup>1</sup>	5/6
Dame Katharine (Kate) Barker	6/6

<sup>1</sup> Zoe Cruz was unable to attend the September meeting due to prior commitments but reviewed the papers ahead of the meeting and discussed her views with the Committee Chairman.

#### How the Committee spent its time in 2019 (%)



- Executive directors' remuneration
- Employee remuneration
- Senior management compensation
- Shareholder engagement and DRR
- Governance and Other
- Financial regulation

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## 1. Chairman's annual statement



### Ensuring the metrics used to determine the variable incentive outcomes are clearly linked to Man's strategic priorities and setting stretching targets to deliver them continues to be a critical part of the Committee's work.

**Richard Berliand**  
Chairman

#### Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration Report (the DRR) for the year to 31 December 2019. For ease of reference, this report contains the following sections:

- a detailed index to help you find the sections you need ([page 78](#));
- this annual statement ([pages 79–84](#));
- the remuneration 'at a glance' section, summarising how the Remuneration Policy has been implemented in 2019 ([pages 85–87](#)); and
- the annual report on remuneration ([pages 88–98](#)).

#### 1.1 Introduction

In last year's letter, we laid out the process by which we had started to comply with the new UK Corporate Governance Code (2018) (the Code), which became effective on 1 January 2019. As this is the first full year of the Code's application, this letter includes further detail of how we have complied with its provisions.

Last year's letter also set out data about our approach to establishing and measuring stretching performance targets in the incentive arrangements; this was particularly well received. Therefore, again, we have provided a similar level of detail.

#### 1.2 Remuneration Policy

In its second year of operation, the Remuneration Policy continues to operate broadly as intended and we do not propose to make any changes to it ahead of its normal three-year renewal, due in May 2021. Although we do not currently anticipate that significant changes will be required, it is our intention again to consult widely with shareholders, their representative bodies and the proxy agencies to understand any areas of concern or focus.

In the meantime, in compliance with the Code we have set out below how the Remuneration Committee addresses the following factors:

##### Risk

Inappropriate risk-taking is avoided and good alignment with shareholders is achieved through a number of mechanisms including significant bonus deferral into shares and funds, a three-year performance period for the Long-Term Incentive Plan (the LTIP) with a subsequent two-year post-vesting holding period and shareholding requirements, including for two years after cessation of employment. Details of the operation of malus and clawback are included in the table on [page 85](#). Before any decisions about incentive outcomes are made, the Audit and Risk Committee reports to the Remuneration Committee on any specific matters indicating excessive risk-taking or lack of regard for controls and procedures.

##### Predictability

The charts on [page 86](#) illustrate the potential remuneration outcomes under a range of scenarios (including in the event of a 50% increase in the share price). In addition, the Remuneration Committee has included illustrative numbers for the 'single figure' outcome as if a fair value for the LTIP had been included.

##### Proportionality

The link between strategic priorities and incentive metrics is set out in detail in the chart on [page 80](#). The Remuneration Committee considers wider employee remuneration, holistic business performance and shareholder experience in determining the appropriate level of executive director remuneration.

##### Alignment to culture

The key principles that underpin our approach to remuneration (and which apply at all levels of the organisation) 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.

##### Simplicity

Incentive schemes are straightforward in their structure and operation with explicit links between strategic priorities, key performance indicators and incentive metrics.

##### Clarity

The Remuneration Policy is clearly laid out in summary form in the DRR and the full version is available on the Company website. Details of the operation of the Remuneration Policy have been explained to the wider workforce, as explained in more detail in section 1.5 below.

80 **Directors' Remuneration report** continued

1. Chairman's annual statement continued

**1.3 The link between pay and performance at Man Group**

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; they are aligned with Man Group's financial KPIs which illustrate and measure the relationship between the investment experience of Man Group's clients, our financial performance and the creation of shareholder value over time. That alignment ensures that the link between strategy, performance and reward is clear, as shown in the table below.

**The link between strategic priorities and incentive metrics**

Strategic priority	Performance measure	Bonus weighting	LTIP weighting	Aggregate weighting <sup>1</sup>
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%	–	
<b>Total</b>				<b>100%</b>

<sup>1</sup> 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.

**1.4 Shareholder engagement in 2019**

At the time the 2018 DRR was published, I again offered to meet with each of our top 30 shareholders. Although no face-to-face meetings were requested, we were pleased to receive constructive feedback on the report from a number of our shareholders and we have tried to address that in this report. Meetings with several of the leading proxy voting agencies, however, were again undertaken in the second half of 2019 to discuss their voting guidelines and any particular areas of focus for the forthcoming AGM season. These sessions are a very helpful opportunity to understand the individual perspectives of the agencies and I would like to thank those who participated.

As indicated above, it is our intention to seek out shareholder and other stakeholder views as we prepare to renew our policy in May 2021.

**1.5 The link between the pay of executive directors and the workforce**

In response to the new Code, for the first time this year, the Remuneration Committee engaged directly with employees by providing a simple document explaining how the remuneration of the executive directors is determined and how that links with the manner in which employees are remunerated. A dedicated email address was also established to provide employees anywhere in the Company with a quick and easy way to raise any questions with the Remuneration Committee. This was in addition to the wider employee engagement being undertaken, on behalf of the Board, by the two designated non-executive directors, both of whom are members of this Committee (covered in more detail on page 67 of the governance report).

Building on last year's 'deep dive' into compensation approaches across the Man Group, the Remuneration Committee also continued to develop its detailed understanding of the approach to all-employee remuneration, including:

- reviewing the ratio of CEO pay to the UK employee population;
- approving the total bonus pool to be allocated to employees;
- undertaking a detailed review of bonus proposals and evaluations for the Executive Committee and individuals covered by the Remuneration Code;
- reviewing annual performance ratings by gender; and
- reviewing the specific compensation arrangements for leading revenue / profit-generators.

We would also like to take this opportunity to confirm that the pension provision available to the executive directors is in line with the rest of the UK employee population. Higher employer contributions are available to employees who meet both the service requirements and elect to make a higher employee contribution, which is matched on a 2:1 basis for employees who have been scheme members for at least two years, up to a maximum employer contribution of 14% of salary. Any contributions exceeding the annual or lifetime allowance are paid as cash on a cost neutral basis.

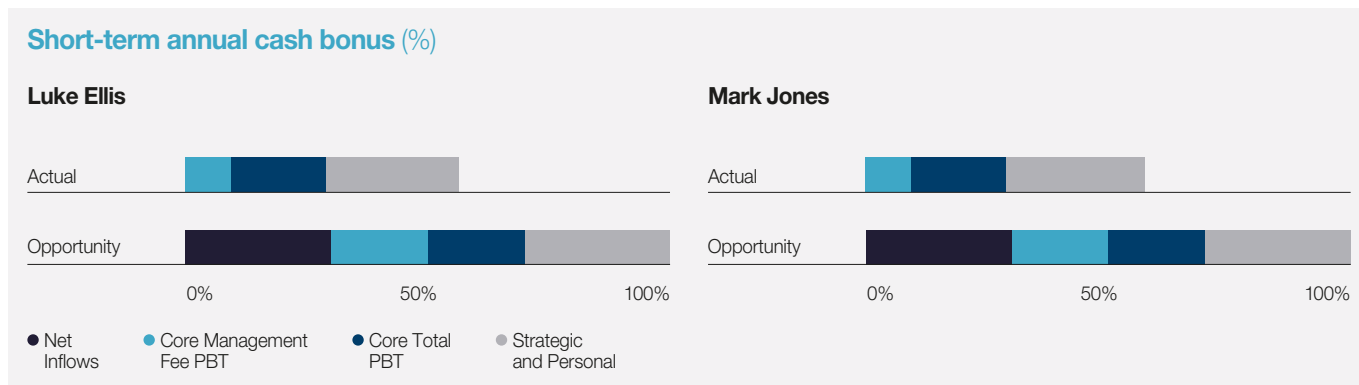
**1.6 Review of performance in 2019**

The past year reflects the diversification of Man Group's business today. We have seen a strong rebound in total profitability from 2018 driven by good absolute performance from a range of our quantitative alternative strategies. That performance has also led to Net Inflows into those strategies, with continued growth in Alternative Risk Premia in particular. A number of our larger strategies that have a valuation component have underperformed this year, consistent with similar strategies across the wider market. This has led to negative Relative Investment Performance across Man Group. That Relative Investment Performance combined with a backdrop of outflows across the long-only equity industry has resulted in net outflows for Man Group in 2019 following record inflows in recent years. Those outflows and the various non-operating factors affecting 2019, including the loss of associate income from Nephila and foreign exchange headwinds, result in a reduction in Core Management Fee PBT. However, overall profitability, as reflected in Core Total PBT, has performed strongly, driven by a strong rebound in performance fees resulting in a record performance overall.

## 1.7 Remuneration outcomes for 2019

### Bonus

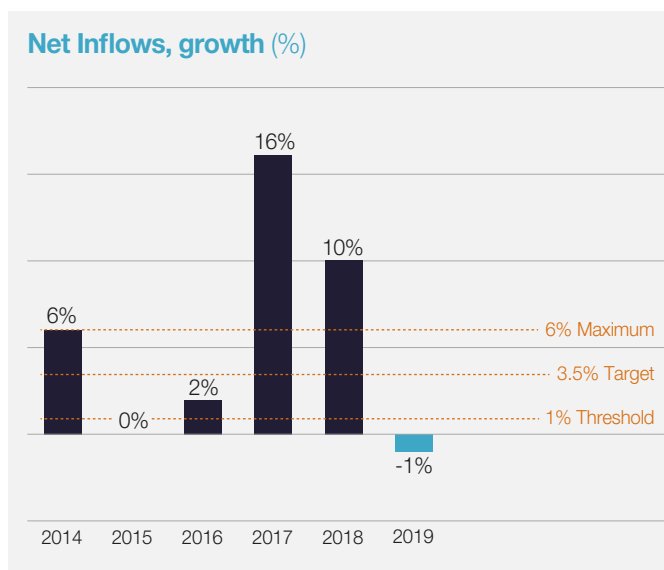
The delivery of excellent core total profits in 2019 means that this has been a record year for core corporate performance. However, the bonus for the executive directors is lower than prior year, despite an increase in Core Total PBT of more than 60%. We feel that the remuneration model has broadly worked, but are concerned that the excellent bottom-line performance is not fully reflected in the executive directors' pay.



The approach to target setting was described in detail in the 2018 DRR and the Remuneration Committee again established the bonus targets 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. The following sections explain actual performance against the targets set for 2019.

### Net Inflows

As a reminder, the industry sector has been experiencing low or negative growth in recent years; during 2017 and 2018 Man Group delivered double-digit growth in Net Inflows. For 2019, the targets for Net Inflows were set at the same percentage growth levels as in the 2017 and 2018 bonuses, requiring 1% growth at threshold, 3.5% at target and 6% growth for the maximum bonus to be achieved. In a challenging external environment, net flows were slightly negative in 2019, resulting in no payout for this element of the bonus, out of a possible maximum of 30%.

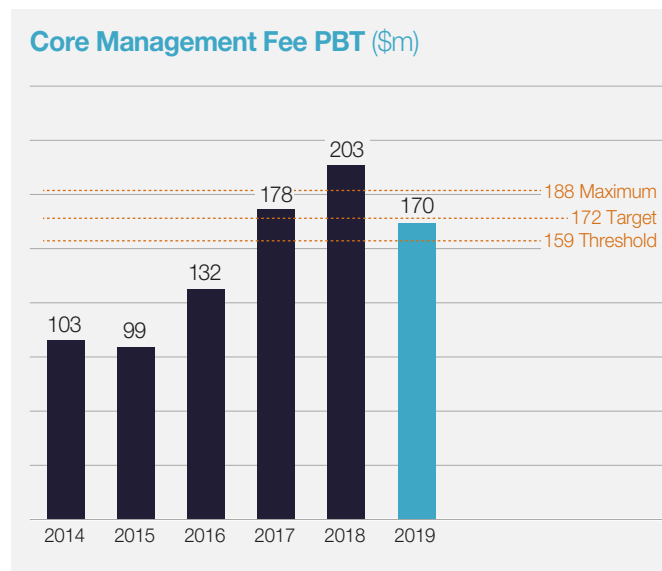


### Core Management Fee PBT

As Man Group entered 2019, it was clear that there were challenging headwinds which had already been reflected in Man Group's medium-term plan and consensus forecasts, largely as a result of market declines at the end of 2018, resulting in a lower starting point for 2019. The Remuneration Committee felt it was important to establish targets that still represented strong performance in the

context of the external environment in order to incentivise management appropriately. We therefore set a target range with a threshold of \$159 million, on-target performance broadly in line with consensus at the time, of \$172 million, and a maximum of \$188 million.

As anticipated, 2019 has been a more difficult year and, in that context, the Core Management Fee PBT outcome of \$170 million, between threshold and target, results in a bonus payout of 9%, out of a possible maximum of 20% for this component.



### Core Total PBT

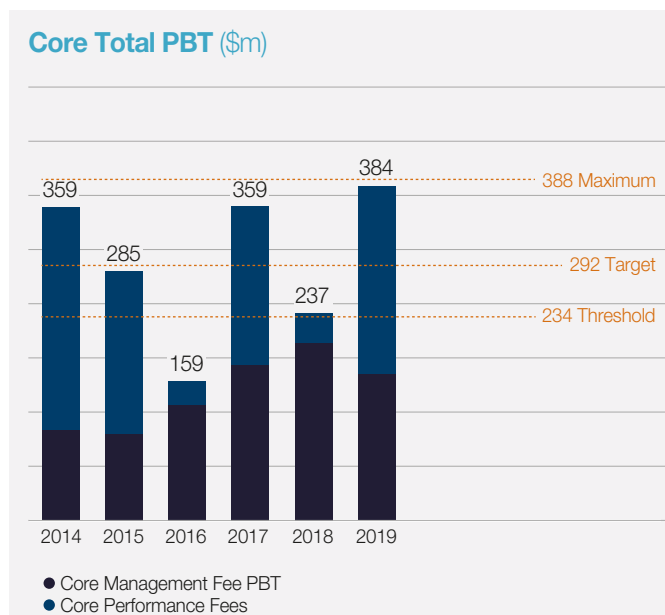
The third financial metric for the bonus, Core Total PBT, starts with Core Management Fee PBT and then adds Adjusted Performance Fee PBT, which is the more volatile component of Man Group's profits but represents a valuable earnings stream for our shareholders over time.

The Remuneration Committee again referenced historical trend data for Adjusted Performance Fee PBT and also considered the impact of the high water marks (i.e. the level of investment performance that had to be achieved before any performance fees would be earned) that the business was facing coming into 2019. Consequently, target performance fee PBT was set at \$120 million with threshold at \$75 million and maximum at \$200 million. This delivered a Core Total PBT range for the bonus from \$234 million at threshold, meaning no bonus

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## 1. Chairman's annual statement continued

would be paid for this component unless performance in line with 2018 was delivered. The target was set at \$292 million (representing growth of more than 20% on prior year) and at maximum of \$388 million, an increase of more than 60% in Core Total PBT was required. As indicated above, strong absolute performance has resulted in Core Total PBT of \$384 million which delivers a payout just below the maximum of 20% on this component of the bonus, which the Remuneration Committee considered appropriate for this high level of performance.



The Committee reviewed the formulaic outcome of the quantitative components of the bonus. Although they felt that the lower outcome for the directors did not fully reflect the very positive corporate performance, the Committee elected not to exercise any upward discretion, recognising that this kind of volatility is a feature of the sector.

**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 strategy, risk, clients, culture and people. The objectives link to our strategic priorities and payout against them requires clear performance impact.

Both directors delivered extremely well on their non-financial objectives, details of which are set out in table R2 (page 89). The successful delivery of the corporate restructure, approved by shareholders in May 2019, represented a significant joint achievement delivered with minimal impact on 'business as usual'. In his third full year in the role, Luke Ellis continues to lead the innovation of new product developments and those introduced in the last couple of years are delivering significant Net Inflows. Employee engagement scores remain strong and progress has been achieved on gender diversity, which is particularly challenging in this sector. Mark Jones also played a leading role in the success of the corporate restructure as well as ensuring the seamless delivery, on time and in budget, of a major IT project in Finance and HR which has already improved operational efficiency. Other highlights for Mark include the successful re-financing and the new ESG-linked revolving credit facility which commits the Company to further improvements in gender diversity, increasing volunteering efforts to contribute to the communities in which we operate and maintaining the highest United Nations PRI rating for its approach to responsible investment.

The Committee considered that awards for the strategic and personal objectives of 27.5% and 28.5% for the CEO and CFO, respectively, appropriately reflected their performances during the year.

**Salary**

In the 2018 DRR, we set out our intention to keep Mark Jones' salary under review and, following another year in which he has again performed strongly, are proposing a modest increase of 2% to \$625,000 (from \$612,500). Having been brought in on an initial salary which was well below his predecessor, Mark's salary has been progressively increased to reflect both his experience in the role and his excellent performance, although it remains substantially below his predecessor.

**Overall remuneration for the executive directors**

In considering whether the overall remuneration of the executive directors for 2019 was appropriate, the Committee considered a number of factors, including:

- Benchmarking data for similar roles in other UK and US listed financial services companies. As covered in detail in section 5.5 Man Group is one of the few listed companies anywhere in the world that operates in the hedge fund industry, so careful consideration also needs to be given to those unlisted companies with whom Man Group competes for talent, including at the most senior level.
- The experience for Man Group's shareholders in a year in which ten year peak core profitability was delivered.
- The experience of Man Group's employees: average employee bonuses increased by 10% in the year, as a result of ten year peak core profitability, whereas the executive directors' bonuses were lower than in 2019.

**Other 2019 remuneration decisions**

As announced in September 2019, John Cryan was appointed as the new Chairman of Man Group plc from 1 January 2020. This was the first time, since my appointment as Remuneration Committee Chairman, that there had been an opportunity to review the Chairman's fee at the time of a new appointment. I understand that the fee had been set at the level of £450,000 per annum back in 2007, in order to allow for some differentiation with the fee of the then Deputy Chairman, a former CEO of the business. Upon appointment of John Cryan, the Remuneration Committee reviewed benchmarking of similar roles in broadly equivalent sized companies in the financial services sector and, taking into account the demands of the role, has set the fee at £350,000. In a spirit of transparency, we also want to make shareholders aware that John Cryan's contractual arrangements with his former employer, Deutsche Bank AG, mean that he will effectively be unpaid for his role as Chairman of Man Group plc, as he will be required to sacrifice his post-tax receipts arising from his Man Group role to Deutsche Bank AG.

During the year, the Board also reviewed non-executive director fees and decided to increase the base fee and fees for chairing the Audit and Risk and Remuneration Committees, as well as introducing an additional fee for the Employee Engagement NEDs, to reflect the increasing demands of all these roles.

During the year, Man Group's former President, Jonathan Sorrell, left the Company, stepping down from the Board on 11 September and, following a period of handover, leaving the business on 31 December 2019. Details of his remuneration, for the period until he ceased to be a director, are included in the report (page 88). Having chosen to leave Man Group, Jonathan was not eligible for any variable compensation in respect of 2019; further, all conditional share awards previously granted to him under the Deferred Executive Incentive Plan (the DEIP) and Deferred Share Plan (the DSP), together with his unvested awards under the LTIP, lapsed in full when he left the Company. Jonathan Sorrell is subject to a continuing obligation to retain a shareholding in Man Group plc, for a period of two-years from departure, as set out in the Directors' Remuneration Policy.

**Man Group plc Long-Term Incentive Plan (the LTIP)**

As a reminder, the first award was made under the LTIP in March 2019, replacing the DEIP, the former long-term plan in which awards were made at the end of the performance period. Consequently, no long-term remuneration has been reported in the single figure table (page 88), as required by the DRR regulations. However, a table has been included in the ‘Remuneration at a glance’ section (page 86) to illustrate this impact in more detail, by assuming a ‘fair value’ for the LTIP.

The table below sets out the metrics and targets for the LTIP award to be granted in March 2020 with a three-year performance period (from 1 January 2020 to 31 December 2022); any vested shares will be required to be held for a further two-year period. There will be straight-line vesting between threshold and target, and target and maximum performance.

**Metric ranges for LTIP (from 1 January 2020 – 31 December 2022)**

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 FTSE 250 <sup>1</sup>	25%	Median	Mid-point between Median and Upper Quartile	Upper Quartile
TSR versus FTSE 250 based on the three-month average share price (taking account of share price movement and reinvested dividends over the performance period).				
3-year Cumulative Core Management Fee EPS <sup>2</sup> , cents	20%	30¢	33¢	36¢
Measures Cumulative Core Management Fee EPS performance over the three-year period.				
3-year Cumulative Core Total EPS, cents	20%	42¢	56¢	75¢
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 Relative Net Inflows <sup>3</sup>	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, compared to peers.				
<b>Total</b>	<b>100%</b>			

- 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 (TSR) 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 less a deduction for associated taxes.
- 3 Cumulative Relative Net Inflows compares asset-weighted growth in Net Inflows of Man Group’s businesses to the relevant industry index.

**Relative Investment Performance**

Relative Investment Performance measures our performance relative to our peers. The establishment of the threshold at 0% means that Man Group must, as a minimum, outperform peers for management to receive any payout on this measure. The maximum of 6% implies in excess of \$6 billion of cumulative outperformance relative to peers, which the Remuneration Committee considered a demanding target and one which would represent an excellent outcome for clients and shareholders.

**Relative TSR vs FTSE 250**

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.

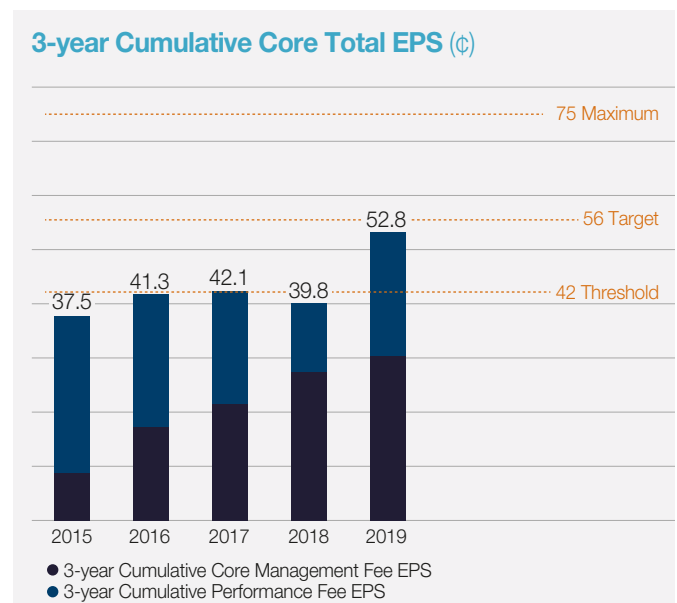
**3-year Cumulative Core Management Fee EPS**

The targets for Cumulative Core Management Fee EPS have been established in absolute terms at 30 cents at threshold, 33 cents at target and 36 cents at maximum. The targets reflect the more challenging environment for management fee earnings in 2019 with 2019 core management fee EPS of 9.6 cents, some 13% below 2018. In this context, the targets require core management EPS to be on average 4%, 15% and 25% higher than 2019 at threshold, target and maximum respectively over the three years. The Committee considered this to be appropriately stretching.

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 Remuneration Committee will carefully review the outcome of this measure and adjust it, if appropriate, in the event that management has benefited from an exceptional gain or been disadvantaged by an exceptional FX headwind. 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 Remuneration Committee has assumed a continuation of that policy.

**3-year Cumulative Core Total EPS**

Core Total EPS starts with Core Management Fee EPS 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 LTIP award made in 2019. The slight reduction, versus prior year, in the Cumulative Core Total EPS targets simply reflects the change in the Cumulative Core Management Fee EPS, explained above. In order to satisfy itself that the targets remained stretching, the Committee again reviewed the Cumulative Core Total EPS delivered in the three-year periods ending in each of the last five years, as shown in the table below.



## 84 **Directors' Remuneration report** continued

### 1. Chairman's annual statement continued

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.

#### Cumulative Relative Net Inflows

In order to ensure that management is only rewarded for performance which they can directly impact through their actions, the Committee has decided to change the Net Inflows targets for the 2020 LTIP, and for the bonus in 2020, so that performance is measured relative to inflows into the industry. The executive directors will be required to beat the wider sector by 3% in order to receive any payout for this metric; at target, growth in Net Inflows of 10.5% more than peers will be required and, for a maximum payout, outperformance of at least 18% will be required, which would represent an excellent result for shareholders.

Overall, the Committee considered that the ranges set for the LTIP award to be granted in March 2020 were demanding and would align management experience with that of shareholders. As a reminder, the level of vesting at threshold is 0%, meaning that the directors will only start to receive any awards under the LTIP when threshold performance has been exceeded, representing a much tougher hurdle than in the majority of listed businesses.

#### 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.

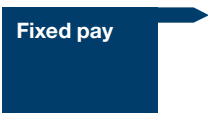





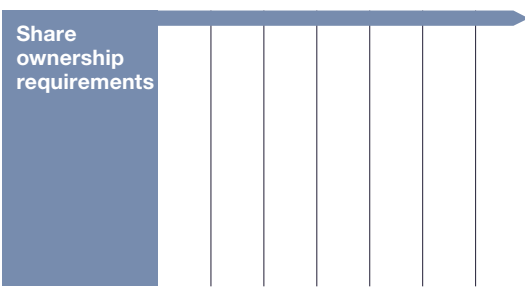

We look forward to welcoming you at our AGM and receiving your support for our 2019 DRR at that meeting.

#### Richard Berliand

Chairman of the Remuneration Committee

## 2. Remuneration at a glance

### 2.1 Directors' Remuneration Policy summary table

Key elements	2019	2020	2021	2022	2023	2024	2025	Remuneration Policy	Implementation in 2019/20
<b>Fixed pay</b> 								<b>Salary</b> <ul style="list-style-type: none"> <li>Overall policy maximum of \$1.1m will apply to all executive directors, meaning no increase for the CEO over the life of the policy</li> </ul> <b>Pension allowance</b> <ul style="list-style-type: none"> <li>Policy maximum 14% salary<sup>1</sup></li> <li>Actual 14% salary</li> </ul> <b>Benefits</b> <ul style="list-style-type: none"> <li>Includes family private medical insurance, life assurance and permanent health insurance</li> </ul>	Salaries effective from 01/01/19: <ul style="list-style-type: none"> <li>CEO \$1.1m</li> <li>CFO \$612.5k</li> </ul> Salaries effective from 01/01/20: <ul style="list-style-type: none"> <li>CEO \$1.1m</li> <li>CFO \$625k</li> </ul>
<b>Cash bonus</b> 								<b>Maximum opportunity</b> <ul style="list-style-type: none"> <li>250% of salary</li> </ul> <b>Operation</b> <ul style="list-style-type: none"> <li>Awarded as a combination of cash (50%) and deferral (50%) into shares vesting in equal tranches in each of the following three years</li> <li>Opportunity to defer up to half the deferred amount into funds, once the share ownership requirements are met</li> <li>Malus and clawback apply</li> </ul>	<b>KPIs (%)</b>  <ul style="list-style-type: none"> <li>Net Inflows 30</li> <li>Core Management Fee PBT (\$m) 20</li> <li>Core Total PBT (\$m) 20</li> <li>Strategic and Personal Objectives 30</li> </ul>
<b>Deferred bonus</b> 								<b>Maximum opportunity</b> <ul style="list-style-type: none"> <li>350% of salary</li> </ul> <b>Operation</b> <ul style="list-style-type: none"> <li>Man Group Long-Term Incentive Plan (LTIP)</li> <li>Forward-looking three-year performance conditions with share grant at year 0, vesting year 3 with subsequent two-year holding period</li> <li>Malus and clawback apply</li> </ul>	<b>KPIs (%)</b>  <ul style="list-style-type: none"> <li>Relative Investment Performance 25</li> <li>Relative TSR vs FTSE250 25</li> <li>3-year cumulative core management fee EPS 20</li> <li>3-year cumulative core total EPS 20</li> <li>Cumulative Net Inflows 10</li> </ul>
<b>Long-term incentive</b> 								<b>Share ownership requirements</b> <ul style="list-style-type: none"> <li>CEO 300% of salary</li> <li>Other executive directors 200% of salary</li> <li>100% of the requirement to be retained for one year after leaving and at least 50% for the second year</li> </ul>	Actual shareholding as at 31/12/19: <ul style="list-style-type: none"> <li>CEO 925%</li> <li>CFO 412%</li> </ul>
<b>Share ownership requirements</b> 								<b>Malus and clawback</b> <p>The Committee may apply malus and/or clawback to variable pay in certain specified circumstances, including:</p> <ul style="list-style-type: none"> <li>Misconduct</li> <li>Material misstatement of financial results affecting the assessment of a performance condition, or where there has been an error or inaccuracy relating to the determination of variable pay</li> </ul> <p>In addition, it can apply malus if a director:</p> <ul style="list-style-type: none"> <li>fails to meet the required standards of fitness and propriety;</li> <li>participates in or was responsible or accountable for a material failure of risk management;</li> <li>has caused or contributed to a material extent to censure by any regulatory authority; or</li> <li>has caused or contributed to a significant detrimental impact on the Company's reputation.</li> </ul>	
<b>Malus and clawback</b> 									

<sup>1</sup> The full detail of the executive directors' Remuneration Policy, approved in May 2018, can be viewed at [www.man.com](http://www.man.com)

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

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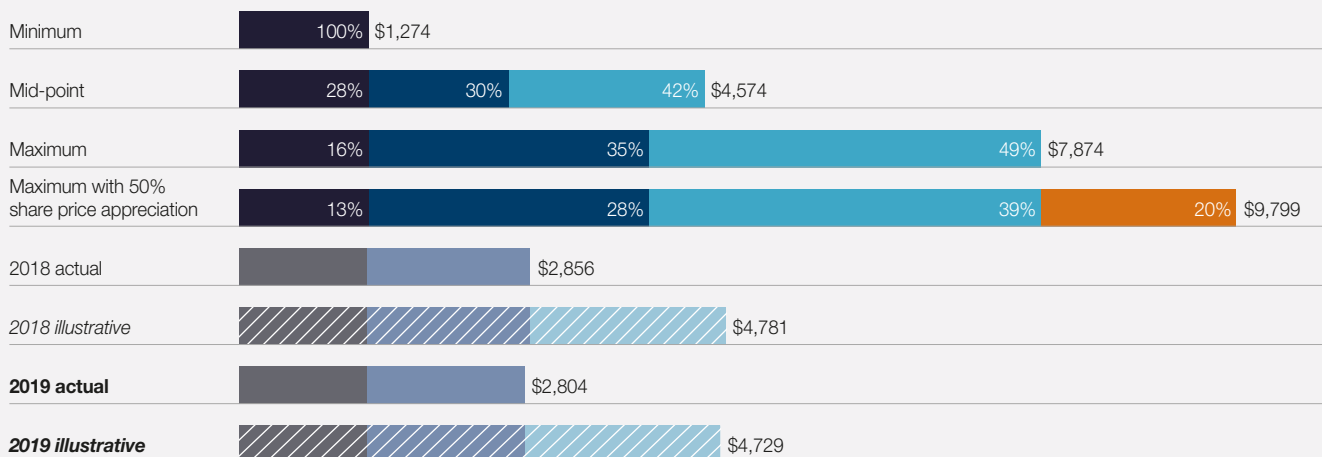
2. Remuneration at a glance continued

**2.2 Actual 2019 remuneration and illustrative pay for performance scenarios**

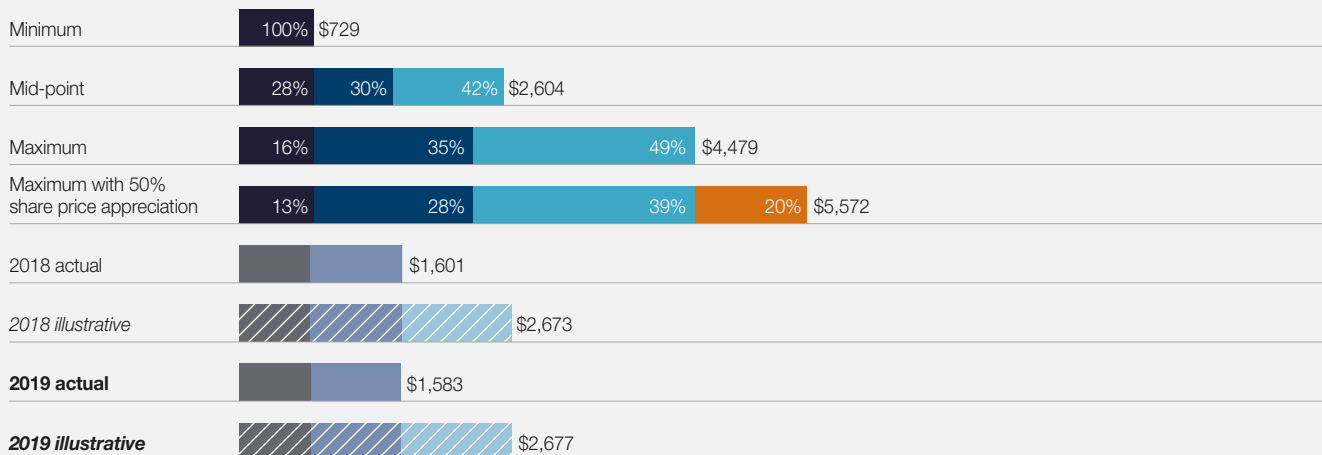
The chart below shows the actual remuneration of the executive directors in 2019 compared to their potential earnings in different performance scenarios ('minimum', 'mid-point', 'maximum' and 'maximum with 50% share price appreciation'). As set out in detail in the 2018 DRR, the impact of switching from the former DEIP to the LTIP 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. Consequently, in the interests of clarity and transparency, the 2018 and 2019 'illustrative' data in the table below shows the potential single figure outcome using an expected value of 50% for the LTIP. Achievement at this level would require target performance to be delivered on all five measures. The actual outcomes for the March 2019 and March 2020 awards will be reported in the DRRs for 2021 and 2022, respectively.

**Illustrative pay for performance scenarios compared to actual remuneration (\$'000)**

**Luke Ellis**  
CEO



**Mark Jones**  
CFO



- Salary, pension and benefits
- Annual bonus
- LTIP
- 50% share price appreciation on LTIP

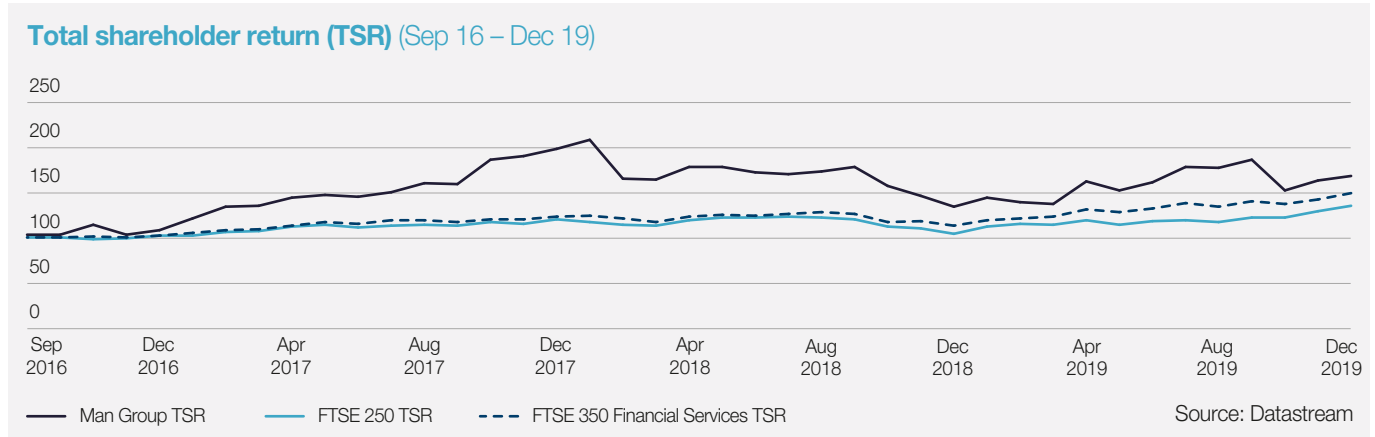
Assumptions used:

- 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 payout of 50% of the maximum annual bonus and 50% vesting for the LTIP.
- The 'maximum' scenario reflects fixed remuneration as above, plus full payout 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.
- The illustrative scenarios include the LTIP at 50% of its face value.

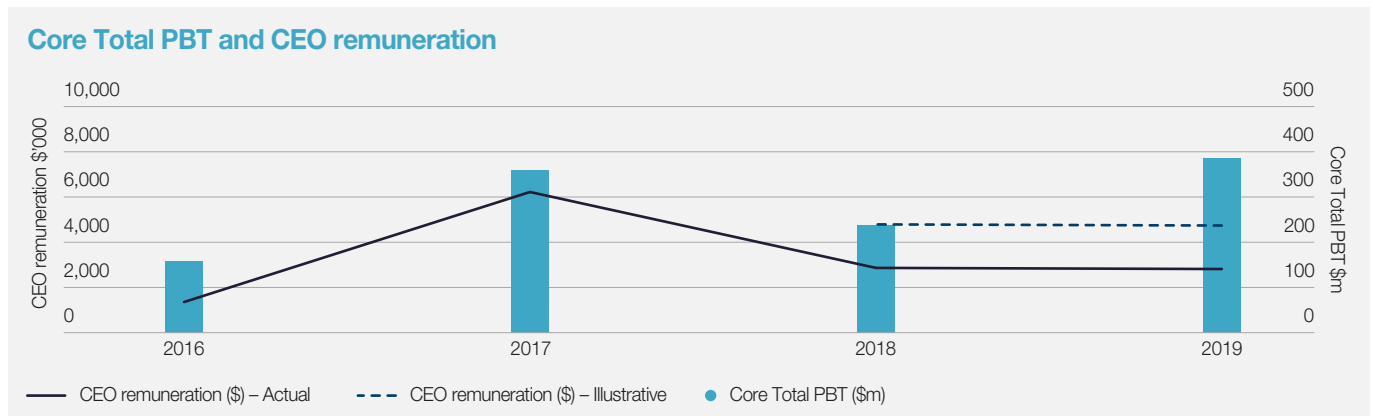


### 2.3 Executive director pay in the context of Man Group's shareholders

The chart below shows the TSR generated since Luke Ellis's appointment as CEO in September 2016, compared to both the FTSE 250 and the FTSE 350 Financial Services Index.



The chart below shows the single figure of remuneration for the CEO mapped against the percentage increase in Total Core PBT delivery, since the appointment of Luke Ellis as CEO. Although ten year peak core profitability was delivered in 2019 which was not fully reflected in the directors' bonus outcomes, the Committee elected not to exercise any upward discretion.



### 2.4 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.

	Year ended 31 December 2019	Year ended 31 December 2019 illustrative <sup>4</sup>	Year ended 31 December 2018	Year ended 31 December 2018 illustrative <sup>4</sup>
CEO – single total remuneration figure (SFT) (\$'000)	<b>2,804</b>	4,729	2,856	4,781
Ratio of SFT to median UK employees <sup>1</sup>	<b>17:1</b>	29:1	18:1	31:1
Compensation – all employees (\$m) <sup>2</sup>	<b>460</b>	460	425	425
Compensation ratio <sup>3</sup>	<b>43%</b>	43%	48%	48%
Number of bonus-eligible employees	<b>1,312</b>	1,312	1,273	1,273
Mean annual bonus award per bonus-eligible employee (\$'000)	<b>203</b>	203	185	185
Median annual bonus award per bonus-eligible employee (\$'000)	<b>35</b>	35	30	30
CEO SFT as % of total compensation of all employees	<b>0.6%</b>	1.0%	0.7%	1.1%
Aggregate total SFT of all executive directors as % of total compensation of all employees	<b>1.0%</b>	1.6%	1.5%	2.5%

1 See table R6 on page 91 for the full disclosure of the CEO ratio. In this table, the 2018 ratio has been re-stated to exclude UK employees who joined during 2018, to align with the approach used for the calculation of full-time equivalent remuneration in the 2019 ratio.

2 Compensation for all employees represents total fixed pay (salary, pension and benefits) and variable pay in respect of 2019.

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 columns headed 'Year ended 31 December 2018 – illustrative' and 'Year ended 31 December 2019 – illustrative' are included to aid understanding of the impact of the switch to the LTIP award, which means that no long-term variable pay is included in the directors' single figure disclosure (table R1, page 88). For illustrative purposes, an expected value of 50% of the face value of the LTIP award made in March 2019 and the award to be made in March 2020 has been assumed.

88 **Directors' Remuneration report** continued

## 3. Remuneration outcomes in 2019

## 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 2019 and the prior year.

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

All figures in USD	Executive directors					
	Luke Ellis		Mark Jones		Jonathan Sorrell	
	2019	2018	2019	2018	2019 <sup>1</sup>	2018
Salary	1,100,000	1,100,000	612,500	600,000	523,810	750,000
Taxable benefits <sup>2</sup>	3,223	3,691	3,191	3,292	30,338 <sup>1</sup>	3,691
Pension benefits <sup>3</sup>	134,929	134,250	76,727	74,891	64,252	91,534
Other <sup>4</sup>	16,893	14,888	12,934	10,865	793	1,445
<b>Total fixed remuneration</b>	<b>1,255,045</b>	<b>1,252,829</b>	<b>705,352</b>	<b>689,048</b>	<b>619,193</b>	<b>846,670</b>
<b>Short-term variable<sup>5</sup></b>	<b>1,548,615</b>	<b>1,603,250</b>	<b>877,609</b>	<b>912,000</b>	<b>–</b>	<b>1,121,250</b>
Value of vested award	–	–	–	–	–	–
Amount due to share appreciation	–	–	–	–	–	–
<b>Total long-term variable<sup>6</sup></b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total variable remuneration</b>	<b>1,548,615</b>	<b>1,603,250</b>	<b>877,609</b>	<b>912,000</b>	<b>–</b>	<b>1,121,250</b>
<b>Total</b>	<b>2,803,660</b>	<b>2,856,079</b>	<b>1,582,961</b>	<b>1,601,048</b>	<b>619,193</b>	<b>1,967,920</b>

1 Jonathan Sorrell resigned from the Board on 11 September 2019 and left Man Group on 31 December 2019 after a period of handover. His remuneration for 2019 has been pro-rated accordingly and he received no performance-related remuneration for 2019. His taxable benefits are higher in 2019 because they include a payment for accrued but unused annual leave.

2 Taxable benefits include private medical insurance and gym membership subsidy.

3 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.

4 'Other' includes non-taxable benefits (e.g. life insurance, Group income protection and fund fee rebate).

5 See table R2 for details of the short-term variable compensation award.

6 The first award under the new Man Group plc LTIP was 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.

## 3.2 Annual bonus in respect of 2019 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 executive directors are incentivised only using stretching targets for metrics over which they have direct control.

Table R2 shows the results of the Committee's assessment of the performance delivered in 2019.

## Annual bonus in respect of 2019 (audited) – Table R2

Financial metric	Weighting	2018 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%	9.9%	1.0%	3.5%	6.0%	-1.2%	0.0%	0.0%
Core Management Fee PBT	20%	\$203m	\$159m	\$172m	\$188m	\$170m	46.0%	9.2%
Core Total PBT	20%	\$237m	\$234m	\$292m	\$388m	\$384m	98.0%	19.6%
<b>Total financial metrics</b>	<b>70%</b>							<b>28.8%</b>
<b>Non-financial metrics</b>	<b>30%</b>							<b>27.5%</b>
<b>Percentage of maximum annual bonus awarded</b>								<b>56.3%</b>
<b>Quantum of award – total<sup>1</sup></b>								<b>\$1,548,615</b>
Quantum of award – paid in cash								\$774,308
Quantum of award – deferred								\$774,307

1 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 subject, in normal circumstances, to continued employment.

## Key

- Criteria fully met or exceeded
- Criteria partially met
- Criteria not met

## Assessment of performance against qualitative objectives

Executive directors	Objective	Outcome	
<b>CEO</b>	Prepare Group strategic plan, key business objectives and required resources	Ten year peak core profitability in the year despite industry backdrop of negative flows and weaker relative performance. Ongoing delivery on longer-term drivers of strategy including innovation, such as the seeding of quantitative credit strategies and the development of a new Man Group multi-strategy hedge fund.	●
	Continue leading approach to compliance and risk management	The corporate restructure represented a major programme successfully implemented with strong shareholder support. No events occurred outside the Company's risk appetite and the balance sheet seeding programme continued to support growth, with seeding gains of \$20 million, whilst remaining well below risk thresholds.	●
	Develop new investment content and focus on research and technology to support long-term profitable growth	Positive performance and initial fund raising from credit strategies across Man Group. Continued strong performance of recent vintage of new products (e.g. AHL Target Risk inflows of more than \$1.6 billion).	●
	Company culture, diversity and development of people	Employee engagement remains at high levels, with an overall rating of 7.7/10 from higher annual participation in the Employee Survey. Public targets for female representation in senior management, and year-on-year improvement in 2019. In 2016, 16% of senior managers at Man Group were women and this had increased to 20% at the end of 2019.	●
	Build reputation of Man Group with key external stakeholders	Continuing to build Man Group's profile; more than 180 client meetings attended in person. Senior Man Group people chair committees of the Alternative Investment Management Association, on both diversity and inclusion and tax matters, and the Investment Association General Regulations Committee, to ensure Man Group is represented and contributing to industry-wide thinking and developments.	●
<b>CFO</b>	Accurate, appropriate, clear, proactive and timely reporting	The successful, timely and within budget implementation of a new Finance and HR system has had a substantial impact on the efficiency of operations, delivering improved analytics, processes, automation and breadth of access across Man Group. This was a very significant IT implementation led by the CFO, together with the corporate restructuring, in which the CFO also played a leading role, both were seamlessly delivered without impacting 'business as usual' activities and together represent a substantial achievement.	●
	Company culture, diversity and development of people	The new ESG revolving credit facility includes a number of public commitments for the Company across gender diversity, volunteering and UN PRI assessment. Active sponsor of the Company's 'Family Network'; the 'return to work' programme has resulted in five 'returners' joining the Company, two of whom have been recruited into permanent roles in Finance. Sponsorship of the King's Maths School to help talented students from diverse backgrounds in London succeed in numerical disciplines.	●
	Manage Group capital	Corporate restructure successfully completed with very strong shareholder support. Positive P&L from seed book despite more difficult alpha environment, no material drawdowns (seeding gains \$20 million). Successfully accessed more attractive financing sources for Man Group from Total Return Swaps and repo financing saving approximately \$5 million p.a. on a run rate basis.	●
	Continue leading approach to compliance and risk management	No material operational events. Enhanced risk reporting across Man Group, e.g. Python based reporting, with enhanced ability to drill down, replacing static reports. Smooth implementation and initial operations of new corporate structure.	●
	Build reputation of Man Group with key external stakeholders	Positive feedback from shareholders and 99%+ of shareholders approved the corporate restructure.	●

## 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			
	2019	2018	% change	% change <sup>1</sup>
Salary	1,100	1,100	0	6 <sup>3</sup>
Taxable benefits <sup>2</sup>	3	4	-13	14 <sup>3</sup>
Short-term variable	1,549	1,603	-3	10 <sup>4</sup>

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 member of staff is paid.

4 For staff, short-term variable remuneration includes both variable cash compensation and deferred awards relating to the current year.

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## 3. Remuneration outcomes in 2019 continued

## 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

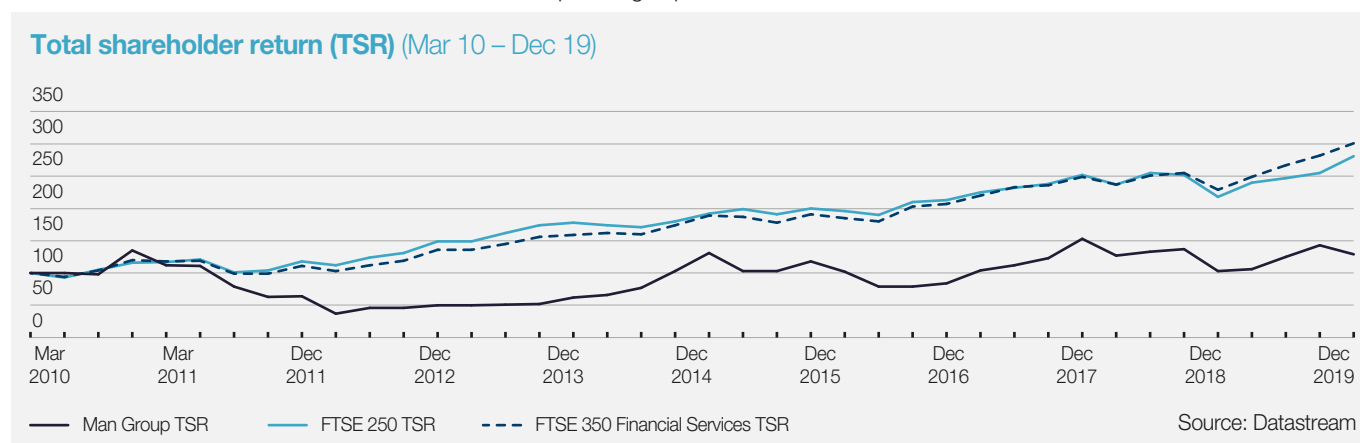
	2019 \$m	2018 \$m	% change
Total employee expenditure <sup>1</sup>	477	436	9
Shareholder distributions <sup>2</sup>	244	400	-39

1 Remuneration paid to or receivable by all employees (i.e. accounting cost). Refer to Note 4 to the financial statements for further details. Total employee expenditure excludes restructuring costs.

2 Distributions to shareholders (dividends paid of \$189 million and repurchase of shares of \$211 million in 2018, dividends paid of \$152 million and repurchase of shares of \$92 million in 2019).

## 3.5 Review of past performance

The performance graph below compares the Company's total shareholder return performance against the FTSE 250 Index and the FTSE 350 Financial Services Index. The FTSE 250 has been chosen as the primary comparator to align with the peer group used in the LTIP in which 25% of the outcome is determined by the Company's relative TSR performance compared to the FTSE 250 Index. In previous years, Man Group had chosen the FTSE 350 Financial Services Index as the comparator group so it has also been shown below, for reference.



## Historical CEO remuneration – Table R5

Accounting period ended		31 Mar 2010	31 Mar 2011 <sup>1</sup>	31 Dec 2011 <sup>2</sup>	31 Dec 2012	31 Dec 2013	31 Dec 2014	31 Dec 2015	31 Dec 2016	31 Dec 2017	31 Dec 2018	31 Dec 2019
CEO single figure (\$'000s)	L Ellis <sup>3</sup>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,347	6,215	2,856	2,804
	E Roman <sup>3</sup>	n/a	n/a	n/a	n/a	3,397	5,068	5,367	910	n/a	n/a	n/a
	P Clarke <sup>3</sup>	6,299	8,173	6,437	1,048	978	n/a	n/a	n/a	n/a	n/a	n/a
Short-term variable award (as a percentage of maximum opportunity) <sup>4</sup>	L Ellis <sup>3</sup>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	40.2%	78.8%	58.3%	56.3%
	E Roman <sup>3</sup>	n/a	n/a	n/a	n/a	70%	100%	83.3%	n/a	n/a	n/a	n/a
	P Clarke <sup>3</sup>	n/a	n/a	n/a	n/a	0%	n/a	n/a	n/a	n/a	n/a	n/a
Long-term variable award (as a percentage of maximum opportunity) <sup>4</sup>	L Ellis <sup>3</sup>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	28.6%	46.2%	n/a <sup>5</sup>	n/a <sup>5</sup>
	E Roman <sup>3</sup>	n/a	n/a	n/a	n/a	17%	40%	40.7%	n/a	n/a	n/a	n/a
	P Clarke <sup>3</sup>	n/a	n/a	n/a	n/a	0%	n/a	n/a	n/a	n/a	n/a	n/a

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 Awards under the LTIP were made in March 2019 and will be made in March 2020, vesting in March 2022 and March 2023 respectively, with a subsequent two-year holding period.

### 3.6 CEO pay ratio

The table below compares the 2019 single total figure of remuneration for the CEO with that of the Group's UK employees who are paid at the 25th percentile (lower quartile), 50th percentile (median) and 75th percentile (upper quartile).

**Table R6**

Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2019	A	26:1	17:1	10:1

In reviewing the ratio, the Committee considered the context within which it had been calculated. In 2019, the CEO's bonus is slightly lower than prior year and his remuneration does not include any LTIP vesting, as explained elsewhere in the report. However, mean annual bonus awards per employee have increased by 10% as a result of the delivery of ten year peak core profitability in 2019 (see section 2.4). The Committee also recognised that the ratio in isolation does not provide much insight and that trend data over time, as well as an understanding of how Man Group's ratio compares to that in similar businesses may provide more useful context in future.

The ratio has been calculated using option A methodology, which uses actual employee data. The Committee considered this to be the most accurate approach. Total full-time equivalent remuneration for people employed for the full 12-month period ending on 31 December 2019 has been calculated in line with the methodology for the 'single figure of remuneration' for the CEO (table R1, page 88). This data was then ranked to identify the individuals at the 25th, 50th and 75th percentiles and the salary and total pay and benefits for the three identified quartile point employees is shown in the table below.

All figures in USD	25th percentile	50th percentile	75th percentile
Salary	78,036	100,104	127,928
Total pay and benefits	106,015	161,720	289,952

### 3.7 Retirement benefits

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

### 3.8 Single total figure of remuneration for non-executive directors

The table below sets out a single figure for the total remuneration received by each non-executive director for the year ended 31 December 2019 and the prior year.

**Single total figure of remuneration for non-executive directors (audited) – Table R7**

All figures in GBP	Fees		Taxable benefits <sup>3</sup>		Total	
	2019	2018	2019	2018	2019	2018
Lord Livingston of Parkhead	<b>450,000</b>	450,000	<b>1,228</b>	1,631	<b>451,228</b>	451,631
Dame Katharine Barker	<b>84,167</b>	80,000	<b>108</b>	–	<b>84,275</b>	80,000
Richard Berliand	<b>125,000</b>	120,000	<b>307</b>	–	<b>125,307</b>	120,000
John Cryan	<b>70,000</b>	70,000	<b>12,025</b>	1,310	<b>82,025</b>	71,310
Zoe Cruz <sup>1</sup>	<b>84,167</b>	46,667	<b>11,328</b>	5,467	<b>95,495</b>	52,134
Andrew Horton <sup>2</sup>	<b>100,000</b>	92,500	<b>108</b>	–	<b>100,108</b>	92,500
Matthew Lester <sup>2</sup>	<b>85,000</b>	92,500	<b>108</b>	–	<b>85,108</b>	92,500
Dev Sanyal	<b>85,000</b>	85,000	<b>1,319</b>	1,392	<b>86,319</b>	86,392

<sup>1</sup> Zoe Cruz was appointed to the Board on 1 June 2018. Her remuneration for 2018 has been pro-rated accordingly.

<sup>2</sup> 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.

<sup>3</sup> Taxable benefits comprise travel and staff entertainment expenses and the tax paid in relation to such benefits.

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## 3. Remuneration outcomes in 2019 continued

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

There were no payments for loss of office made to executive directors during the year. Jonathan Sorrell resigned from the Board on 11 September 2019 and left Man Group on 31 December 2019, following a period of handover. For the period between stepping down from the Board and leaving Man Group, Jonathan Sorrell was paid a total fixed remuneration of \$267,378, comprising of a salary of \$226,190; \$13,100 for taxable benefits; \$27,745 for pension benefits; and \$343 for other non-taxable benefits (see notes 1 to 4 at table R1 for details of the above benefits). Jonathan Sorrell received no performance-related remuneration for 2019 and has forfeited any unvested share awards.

**3.10 Directors' interests****Directors' interests in shares of Man Group plc (audited) – Table R8**

	Number of ordinary shares <sup>1,2</sup> 31 December 2019	Number of ordinary shares <sup>1</sup> 31 December 2018
<b>Executive directors</b>		
Luke Ellis	3,637,643	3,073,703
Mark Jones	351,977	252,408
<b>Former executive director</b>		
Jonathan Sorrell <sup>3</sup>	1,020,606	775,952
<b>Non-executive directors</b>		
Lord Livingston of Parkhead <sup>4</sup>	62,789	62,789
Dame Katharine Barker	45,057	42,948
Richard Berliand	50,000	50,000
John Cryan <sup>4</sup>	–	–
Zoe Cruz <sup>5</sup>	–	–
Andrew Horton	100,000	100,000
Matthew Lester	22,692	22,692
Dev Sanyal	81,821	77,993

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 2019 up to 27 February 2020, being the latest practicable date prior to the publication of this report.

3 Jonathan Sorrell stepped down from his role as President and as an executive director of the Company on 11 September 2019. He is subject to post-employment shareholding requirements as set out in the directors' Remuneration Policy summary table on page 85.

4 Lord Livingston of Parkhead stepped down from his role as Chairman of the Company on 31 December 2019. John Cryan has been appointed Chairman of the Company with effect from 1 January 2020.

5 Zoe Cruz was appointed to the Board on 1 June 2018.

**Executive directors' shareholdings measured against their respective shareholding requirement as at 31 December 2019 (audited) – Table R9**

Executive directors	Shares owned outright	Shares no longer subject to performance conditions <sup>1</sup>	Total shareholding <sup>2</sup>	Value of shareholding <sup>3</sup> (USD)	Annual salary (USD)	Shareholding requirement as a % of salary <sup>4</sup>	Current shareholding as a % of salary	Requirement met?
Luke Ellis	3,637,643	1,219,842	4,857,485	10,172,982	1,100,000	300%	925%	Yes
Mark Jones	351,977	852,589	1,204,566	2,522,711	612,500	200%	412%	Yes
<b>Former executive director</b>								
Jonathan Sorrell <sup>5</sup>	1,020,606	–	1,020,606	2,137,445	750,000	200%	285%	Yes

1 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 R11, R12 and R14.

2 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.

3 Shareholdings valued at 31 December 2019 share price of £1.58 and a GBP/USD exchange rate of £1 = \$1.3255.

4 The directors' Remuneration Policy, approved in May 2018, increased the shareholding requirement to 300% and 200% of salary for the CEO, and other executive directors, from 200% and 100% of salary respectively.

5 Jonathan Sorrell stepped down from his role as President and as an executive director of the Company on 11 September 2019. He is subject to post-employment shareholding requirements as set out in the directors' Remuneration Policy summary table on page 85.

**3.11 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)<sup>1</sup> – Table R10**

Executive director	Award (% of salary)	Award value <sup>2</sup> (USD)	Vesting date	End of retention period date
Luke Ellis	350%	3,850,000	Mar-23	Mar-25
Mark Jones	350%	2,187,500	Mar-23	Mar-25

1 Awards under the LTIP will be made in March 2020 for the three-year performance period commencing on 1 January 2020 and ending on 31 December 2022; the proportion of the award which vests will be determined based on the measures, weightings and target ranges set out in table R19.

2 The monetary value of these awards will be converted into a number of shares using the USD/GBP exchange rate 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.

### Conditional share awards under the Long-Term Incentive Plan (LTIP) – subject to performance conditions and retention period (audited) – Table R11

Executive director	Date of grant	Face value of award <sup>1</sup>	Granted during the year <sup>2,3</sup>	Dividends accruing <sup>4</sup>	Lapsed during the year	31 December 2019	Vesting date <sup>5</sup>	End of retention period <sup>7</sup>
Luke Ellis	Mar-19	\$3,850,000	2,185,434	107,904	–	<b>2,293,338</b>	Mar-22	Mar-24
Mark Jones	Mar-19	\$2,143,750	1,216,889	60,083	–	<b>1,276,972</b>	Mar-22	Mar-24
<b>Former executive director</b>								
Jonathan Sorrell <sup>6</sup>	Mar-19	\$2,625,000	1,490,069	73,571	1,563,640	–	–	–

- The face value of the awards represent 350% of salary.
- The first awards under the LTIP were granted in March 2019 for the three-year performance period commencing on 1 January 2019 and ending on 31 December 2021. The performance measures for these awards are: Relative Investment Performance (25%), Relative TSR versus FTSE 250 (25%), 3-year Cumulative Core Management Fee EPS (20%), 3-year Cumulative Core Total EPS (20%) and Cumulative Net Inflows (10%). The targets were disclosed in detail in the 2018 DRR.
- The monetary value of these awards was converted into a number of shares using the USD/GBP exchange rates of \$1 = £0.7638 and a share price of £1.3455, being the market value on the immediately preceding dealing day to grant. The awards have been 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.
- On 17 May 2019 dividend accruals of 57,859, 32,217 and 39,449 shares were added to Luke Ellis, Mark Jones and Jonathan Sorrell's awards respectively based on a sterling dividend of 4.06 pence. On 4 September 2019, dividend accruals of 50,045, 27,866 and 34,122 shares were added to Luke Ellis, Mark Jones and Jonathan Sorrell's awards respectively based on a sterling dividend of 3.87 pence.
- Jonathan Sorrell stepped down from his role as President and as an executive director of the Company on 11 September 2019. Under the rules of the LTIP, awards granted in March 2019 lapsed on 11 September 2019, being the date his intention to step down from the Board was announced.
- 0% of the award will vest at threshold with straight-line vesting between threshold and target and target and maximum performance. 100% of the award will vest for maximum performance.
- Shares subject to a vested award are delivered to participants at the end of the two-year retention period.

### Conditional share awards under the Deferred Executive Incentive Plan (DEIP) – subject only to service conditions (audited) – Table R12

Executive director	Date of grant <sup>1</sup>	1 January 2019	Dividends accruing <sup>2</sup>	Vested during the period	Lapsed during the period	31 December 2019	Date vested
Luke Ellis	Mar-17 <sup>4</sup>	<b>298,590</b>	14,742	–	–	<b>313,332</b>	–
	Mar-18 <sup>5</sup>	<b>1,041,056</b>	51,399	–	–	<b>1,092,455</b>	–
Mark Jones	Mar-18 <sup>5</sup>	<b>500,015</b>	24,684	–	–	<b>524,699</b>	–
<b>Former executive director</b>							
Jonathan Sorrell <sup>3</sup>	Mar-14	<b>93,626</b>	–	93,626	–	–	Mar-19
	Mar-15	<b>245,608</b>	6,063	122,804	128,867	–	Mar-19
	Mar-16	<b>642,786</b>	21,156	214,262	449,680	–	Mar-19
	Mar-17	<b>694,117</b>	34,269	–	728,386	–	–
	Mar-18	<b>569,230</b>	28,104	–	597,334	–	–

- No further awards are to be granted under the DEIP following the adoption of the LTIP.
- On 17 May 2019 dividend accruals of 35,466, 13,236 and 48,039 shares were added to Luke Ellis, Mark Jones and Jonathan Sorrell's awards respectively based on a sterling dividend of 4.06 pence. On 4 September 2019, dividend accruals of 30,675, 11,448 and 41,553 shares were added to Luke Ellis, Mark Jones and Jonathan Sorrell's awards respectively based on a sterling dividend of 3.87 pence.
- Jonathan Sorrell stepped down from his role as President and as an executive director of the Company on 11 September 2019. Under the rules of the DEIP, the unvested portion of awards granted since March 2015 lapsed.
- Award vests in three equal instalments in March 2020, March 2021 and March 2022.
- Award vests in three equal instalments in March 2021, March 2022 and March 2023.

### Options granted under the Man Group Deferred Share Plans – not subject to service conditions (audited) – Table R13

Executive director	Date of grant	1 January 2019	Exercised during period	31 December 2019	Option exercise price	Latest exercise date
Luke Ellis <sup>1</sup>	<b>Deferred Share Plan (KEOP)</b>					
	Nov-10	<b>744,327</b>	–	<b>744,327</b>	319.88p	Nov-20
	Mar-11	<b>407,463</b>	–	<b>407,463</b>	267.08p	Mar-21
Mark Jones <sup>2</sup>	<b>Partner Deferred Share Plan (POP)</b>					
	Mar-11	<b>356,110</b>	–	<b>356,110</b>	308.55p	Mar-21

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

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## 3. Remuneration outcomes in 2019 continued

**Options granted under the Man Group Deferred Share Plans – subject only to service conditions (audited) – Table R14**

Executive director	Date of grant	1 January 2019	Granted during the year	Dividends accruing <sup>8</sup>	Exercised/ vested during the period	Lapsed during the year	31 December 2019	Exercised/ vested date
Luke Ellis	<b>Deferred Share Plan (DSP)</b>							
	Mar-15 <sup>1,2</sup>	421,051	–	20,788	–	–	441,839	–
	Mar-16 <sup>1</sup>	172,587	–	–	172,587	–	–	Mar-19
	Mar-17 <sup>1,3</sup>	410,178	–	10,125	205,088	–	215,215	Mar-19
	Mar-19 <sup>4</sup>	–	227,519	11,229	–	–	238,748	–
Mark Jones	<b>Partner Deferred Share Plan (PDSP)</b>							
	Mar-15 <sup>5,6</sup>	421,051	–	20,788	–	–	441,839	–
	Mar-16 <sup>5</sup>	51,843	–	–	51,843	–	–	Mar-19
	<b>Deferred share Plan (DSP)</b>							
	Mar-17 <sup>5,7</sup>	305,341	–	15,075	–	–	320,416	–
	Mar-17 <sup>3,5</sup>	95,452	–	2,355	47,726	–	50,081	Mar-19
	Mar-19 <sup>4</sup>	–	258,846	12,777	–	–	271,623	–
<b>Former executive director</b>								
Jonathan Sorrell <sup>9</sup>	<b>Deferred Share Plan (DSP)</b>							
	Mar-19	–	159,117	7,854	–	166,971	–	–

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 Remaining award vests in March 2020 and will be exercisable until March 2027.

4 Award vests in three equal instalments in March 2020, March 2021 and March 2022. All are exercisable until March 2029.

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 Award vests in a single instalment in March 2022 and will be exercisable until March 2027.

8 On 17 May 2019 dividend accruals of 22,597, 27,345 and 4,212 shares were added to Luke Ellis, Mark Jones and Jonathan Sorrell's awards respectively based on a sterling dividend of 4.06 pence.

On 4 September 2019, dividend accruals of 19,545, 23,650 and 3,642 shares were added to Luke Ellis, Mark Jones and Jonathan Sorrell's awards respectively based on a sterling dividend of 3.87 pence.

9 Jonathan Sorrell stepped down from his role as President and as an executive director of the Company on 11 September 2019. Under the rules of the DSP, awards granted in March 2019 lapsed on 11 September 2019, being the date his intention to step down from the Board was announced.

**Options granted under the Man Group Sharesave Scheme (audited) – Table R15**

Executive director	Date of grant	1 January 2019	Granted during year	Exercised during period	Number of options		Option price	Earliest exercise date	Latest exercise date
					Lapsed during year	31 December 2019			
Luke Ellis	Sep-14	16,833	–	16,833	–	–	90.0p <sup>1</sup>	Oct-19	Mar-20
	Sep-17	11,363	–	–	–	11,363	132.0p	Oct-22	Mar-23
	Sep-19	–	11,811	–	–	11,811	127.0p	Oct-24	Mar-25
Mark Jones	Sep-17	13,636	–	–	–	13,636	132.0p	Oct-20	Mar-21
<b>Former executive director</b>									
Jonathan Sorrell	Sep-14	16,833	–	16,833	–	–	90.0p <sup>1</sup>	Oct-19	Mar-20
	Sep-17	11,363	–	–	11,363	–	132.0p	Oct-22	Mar-23
	Sep-19	–	11,811	–	11,811	–	127.0p	Oct-24	Mar-25

1 Luke Ellis and Jonathan Sorrell exercised their options on 19 November 2019. The average market price per share on 19 November 2019 was 144.65 pence.

**3.12 Shareholder voting and engagement**

At the AGM held on 10 May 2019, votes cast by proxy and at the meetings in respect of directors' remuneration were as follows:

**Table R16**

Resolution	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld (abstentions)
Approve the annual report on remuneration	1,021,697,914	93.6	69,956,885	6.4	1,091,654,799	434,650
Approve the directors' Remuneration Policy (May 2018) <sup>1</sup>	1,132,967,350	97.2	32,266,653	2.8	1,165,234,003	565,403

1 Votes cast by proxy and at the AGM held on 11 May 2018.



## 4. Implementation of directors' Remuneration Policy for 2020

### 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 R17

Base salary at	Luke Ellis	Mark Jones
1 January 2019	\$1,100,000	\$612,500
1 January 2020	\$1,100,000	\$625,000

### 4.2 Annual bonus for 2020

The following table shows the performance metrics and weightings for the annual bonus in 2020. The Remuneration Committee considers that the disclosure of detailed performance targets in advance for 2020 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 2020.

#### Table R18

Metrics	Weighting %
Relative 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 2020

The threshold to maximum ranges for the Man Group plc LTIP 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 R19

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	30¢	33¢	36¢	20%
3-year Cumulative Core Total EPS, cents	42¢	56¢	75¢	20%
Cumulative Relative Net Inflows	3%	10.5%	18%	10%
Total				100%

### 4.4 Non-executive directors' Remuneration Policy for 2020

The Chairman's fee has been reduced to £350,000 per annum, following a review of benchmarking of similar roles and explained in detail in my letter. The Board has also slightly increased the Board fee and fees for chairing the Audit and Risk and Remuneration Committees, as well as introducing an additional fee for the Employee Engagement NEDs, to reflect the increasing demands of all these roles.

#### Non-executive directors' fees for 2020 – Table R20

Position (All figures in GBP)	2020	2019	% change
Chairman of the Board	350,000	450,000	-22%
Board fee <sup>1</sup>	75,000	70,000	7%
Senior Independent Director	15,000	15,000	–
Audit and Risk Committee chair	35,000	30,000	17%
Other Audit and Risk Committee members	15,000	15,000	–
Employee Engagement NEDs	7,500	5,000 <sup>2</sup>	50%
Remuneration Committee chair	30,000	25,000	20%
Other Remuneration Committee members	10,000	10,000	–

<sup>1</sup> Includes Nomination Committee membership where appropriate.

<sup>2</sup> Fee paid from 27 February 2019.

96 **Directors' Remuneration report** continued**5. Remuneration Committee****5.1 Membership and attendance**

The Committee met six times during 2019 with attendance by members as indicated below. All members held office throughout the year. In addition, certain urgent proposals relating to the retention of awards by good leavers were circulated and agreed by email in between meetings.

**Table R21**

Committee member	Meetings attended
Richard Berliand (Chairman)	6/6
Dame Katharine Barker	6/6
Lord Livingston of Parkhead (retired 31 December 2019)	6/6
Zoe Cruz	5/6 <sup>1</sup>

## Notes

<sup>1</sup> Zoe Cruz was unable to attend the September meeting due to prior commitments but reviewed the papers ahead of the meeting and discussed her views with the Committee Chairman.

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 purpose, business strategy, objectives, risk appetite and values, comply with all regulatory requirements and promote long-term shareholder and other stakeholder interests.
- To recommend to the Board 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, the Company Secretary 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](http://www.man.com/corporate-governance)

**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 2019 were £60,000 (ex. VAT) 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 2019 and the early part of 2020

The summary below sets out the main issues considered and decisions made by the Committee in the period following the publication of the 2018 Directors' Remuneration report up to the current date.

#### Chairman's fee

- Reviewed the fee level for the appointment of the new Chairman in the context of benchmarking of similar roles in broadly equivalent-sized companies in the Financial Services sector and of the demands of the role.

#### 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 2019 performance of the CEO and CFO 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.
- Approved a salary increase for the CFO for 2020.
- To provide the business context for all the above reward decisions, reviewed the available benchmarking for the CEO and CFO roles within UK and US listed asset managers (please see section 5.5 for information on peer groups).
- Reviewed and approved the terms of exit of Jonathan Sorrell, including that all his unvested awards would lapse and that he remained subject to his post-employment shareholding obligations.

#### Shareholder engagement and reporting

- Reviewed shareholder voting and feedback on the 2019 AGM resolution for the DRR, noting the substantial level of support.
- Continued to undertake shareholder engagement, including meetings in the second half of 2019 with some of the proxy voting bodies.
- Reviewed the 2019 DRR taking account of best practice recommendations and institutional shareholder guidelines.

#### Compensation below Board level

- Reviewed, challenged and approved the 2019 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 2019 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 2019 and reports from the Risk and Compliance functions on any related risk issues arising during the year.
- Supported by management, and building on the detailed review of the approach to compensation below Board level carried out in 2018, reviewed the specific compensation arrangements for leading revenue/profit-generators.
- Reviewed the ratio of CEO pay to the lower quartile, median and upper quartile remuneration paid to UK employees (see [page 91](#)).

#### 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 for 2019.

### 5.4 2019 Committee evaluation

Following a mid-year review, by the Chairman, of the 2019 priority actions identified in the Committee's 2018 evaluation, the Chairman undertook at the year end a full-year evaluation of the operation and effectiveness of the Committee during 2019. The topics covered included progress on the priorities for 2019 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 2020:

- Deliver the 2019 DRR.
- Continue the Committee's engagement with shareholders as appropriate and, in particular, undertake a thorough consultation in advance of proposing a new Directors' Remuneration Policy for approval at the 2021 AGM.
- Continue to deepen the Committee's understanding of compensation below the Board, including by reference to gender diversity metrics, and ensure this is considered in discussions about the level and appropriateness of executive director compensation.
- Review the effectiveness of the process adopted in 2019 for explaining to the workforce how executive remuneration aligns with wider Company pay policy and consider whether any changes are required.
- Keep the remuneration advice and industry knowledge available to the Committee under review as a matter of ongoing good governance.

98 **Directors' Remuneration report** continued

## 5. Remuneration Committee continued

**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 marketplace.

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
- 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 Group 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

28 February 2020

## Directors' report

### The Directors present their report, together with the audited consolidated financial statements, for the year ended 31 December 2019

Man Group plc is incorporated as a public limited company and is registered in Jersey with the registered number 127570. The Company's registered office is 22 Grenville Street, St Helier, Jersey, JE4 8PX.

Although the Company is subject to Jersey law, the following report also includes disclosures required under the Companies Act 2006 in order to ensure that UK legislative disclosures with which our stakeholders have become familiar are also included for continuity.

#### Directors

Details of the current directors, together with their biographies, can be found on [pages 58 to 59](#). The following director changes occurred during the year:

Jonathan Sorrell	Stepped down 11 September 2019
Lord Livingston of Parkhead	Stepped down 31 December 2019

Following the completion of Man Group's corporate reorganisation on 28 May 2019, and in accordance with the scheme of arrangement, all of the non-executive directors were appointed as directors of the Jersey registered Man Group plc (the current executive directors having already been appointed on its incorporation in October 2018).

Details of the directors' interests in the Company's shares are given on [page 92](#) of the Annual Report.

#### Subsidiaries, joint ventures and associated undertakings

The Company's subsidiaries are listed on [pages 144 to 146](#) (Note 29) to the Group's financial statements.

#### 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 2018 UK Corporate Governance Code and the Companies (Jersey) Law 1991. 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 third-party indemnity provisions for the benefit of Man Group plc, its subsidiary directors, and the trustees of its defined benefit pension scheme during the year and these remain in force at the date of this report. New indemnities are granted by the relevant 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 a Board within the Group. The Company arranges directors' and officers' liability insurance to cover certain liabilities and defence costs which an 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 or its subsidiaries.

#### 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 21](#) 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 interests

As at 31 December 2019, 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
Tameside MBC re Greater Manchester Pension Fund	49,386,416	3.20%	3 June 2019
Silchester International Investors LLP	131,297,253	8.52%	29 May 2019

No changes to the above were disclosed to the Company in accordance with DTR 5 during the period 1 January to 27 February 2020 inclusive, being the latest practicable date prior to the publication of this report.

100 **Directors' report** *continued***Restriction on voting rights****Employee Benefit Trusts (EBTs) and share awards**

Where shares are held in EBTs 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. Further details regarding deferred compensation arrangements can be found in [note 20](#) of the financial statements.

**Treasury shares**

Ordinary shares held by the Company in treasury do not carry voting rights.

**Share transfer restrictions**

As disclosed in the 2018 Annual Report:

- 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 could 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 Companies (Uncertificated Securities) (Jersey) Order 1999 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, has indicated its willingness to continue in office and a resolution to reappoint Deloitte as auditor of the Company will be proposed at the 2020 Annual General Meeting.

**Political donations**

The Group's policy is not to make any donations or contributions to political parties or organisations and no such payments were made during the year.

**Annual General Meeting (AGM)**

The AGM of Man Group plc will be held at Riverbank House, 2 Swan Lane, London, EC4R 3AD on Friday 1 May 2020 at 10.00am.

**Further disclosures**

The Directors' report comprises pages 99 to 100 and the other sections and pages of the Annual Report and Accounts cross referenced below which are incorporated by reference. As permitted by legislation, certain disclosures normally included in the Directors' report have instead been integrated into the Strategic report ([page 1 to 55](#)) and Corporate Governance Report ([page 56 to 69](#)).

	Pages
Business relationships, stakeholders and their effect on decisions	<a href="#">10–15</a> , <a href="#">64–65</a>
Corporate governance statement	<a href="#">56–69</a>
Directors' responsibility statement including disclosure of information to the auditor	<a href="#">101</a>
Dividend	<a href="#">33</a> , <a href="#">123</a> , <a href="#">152–153</a>
Dividend waiver	<a href="#">123</a> , <a href="#">133</a>
Employment policies, including disability and equal opportunities and employee involvement	<a href="#">44–47</a> , <a href="#">52</a> , <a href="#">65</a> , <a href="#">67</a>
Financial risk management and financial instruments	<a href="#">126</a> , <a href="#">141–142</a>
Future developments in the business	<a href="#">14–23</a>
Greenhouse gas emissions, energy consumption and energy efficiency	<a href="#">54–55</a>
Internal control and risk management statements	<a href="#">35–36</a> , <a href="#">70–75</a>
Research and development activities	<a href="#">18–23</a>
Going concern disclosure	<a href="#">116</a>

For and on behalf of the Board

**Alice Rivers**

Interim Company Secretary

28 February 2020

## Directors' responsibility statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The Companies (Jersey) Law 1991 requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the company 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 Jersey, Channel Islands 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 58–59](#) 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

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

## Report on the audit of the financial statements

### 1. Opinion

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 affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been properly prepared in accordance with Companies (Jersey) Law, 1991.

We have audited the financial statements which comprise:

- the Group income statement;
- the Group statement of comprehensive income;
- the Group balance sheet;
- the Group cash flow statement;
- the Group statement of changes in equity; and
- the related notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

### 2. 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 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

While the parent company is not a public interest entity subject to European Regulation 537/2014, the directors have decided that the parent company should follow the same requirements as if that Regulation applied to the parent company.

### 3. Summary of our audit approach

<b>Key audit matters</b>	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> <li>• Valuation of contingent consideration and goodwill for GPM; and</li> <li>• Accuracy of performance fees</li> </ul> <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none"> <li> Newly identified</li> <li> Increased level of risk</li> <li> Similar level of risk</li> <li> Decreased level of risk</li> </ul>
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<b>Materiality</b>	The materiality that we used for the Group financial statements was \$16.0m which was determined on the basis of 5% of the two-year average of the adjusted profit before tax.
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<b>Scoping</b>	<p>We performed a full scope audit of 22 (2018:23) subsidiaries and audits of specified account balances within a further 10 (2018:10) subsidiaries across eight (2018: eight) geographic locations.</p> <p>Together, this accounts for 99% (2018:99%) of the Group's revenue and 97% (2018:99%) of the Group's profit before tax.</p>
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<b>Significant changes in our approach</b>	<p>The valuation of Numeric contingent consideration is no longer considered a key audit matter in the current year and the valuation of goodwill recognised for GPM is a refinement to the prior period key audit matter. Refer below in the "Key Audit Matters" section for the rationale.</p> <p>There are no other significant changes in our approach apart from these key audit matters.</p>
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#### 4. Conclusions relating to going concern, principal risks and viability statement

##### 4.1 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 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.

**Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.**

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

##### 4.2 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 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 37-39 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the directors' confirmation on page 36 that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 35 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.

**Viability means the ability of the Group to continue over the time horizon considered appropriate by the directors.**

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

#### 5. 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 identified one key audit matter that we have not included in the current year relating to the valuation of Numeric contingent consideration payable. The consideration crystallised during the year and was largely paid during the period.

Additionally, we refined the risk relating to contingent consideration to include the impairment assessment of GPM goodwill given the low headroom for this cash-generating unit (CGU).

## Valuation of GPM goodwill and Aalto (GPM) contingent consideration

### Key audit matter description

Following the acquisition of Aalto in 2017, the Group recognised goodwill of \$55m for the CGU of Global Private Markets, (GPM), and a corresponding contingent creditor relating to the deferred consideration. In the current year, the goodwill attributable to the CGU remains at \$55m (2018: \$55m) and the fair value of the contingent creditor is \$22m (2018: \$37m).

The estimation uncertainty in forecasting growth requires judgemental interpretations such as the projection of client flows or discount rates or margin estimates used to calculate the carrying value of the CGU. The valuation of goodwill is very sensitive to changes in this estimate.

The value of the contingent creditor and goodwill is dependent on the estimated future run rate revenues as determined by management. Changes in the valuation of the contingent consideration and goodwill are recognised in the Group income statement. There is a fraud risk given the risk of management bias in estimating key assumptions. Given the level of judgement involved in deriving necessary assumptions and the sensitivities of these assumptions, the change to valuation of GPM goodwill and Aalto (GPM) contingent consideration is deemed to be a key audit matter.

The accounting policy for the valuation of goodwill is detailed in Note 10 to the financial statements. The accounting policy for the valuation of contingent consideration is detailed in Note 26 to the financial statements.

### How the scope of our audit responded to the key audit matter

#### Our procedures included:

**Assessing related controls:** We obtained an understanding of the relevant controls in the contingent consideration and goodwill valuation processes and tested the relevant controls over the valuation models.

**Working with specialists:** We involved our internal valuation specialists 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 perpetual growth multiple applied through discussions with management based on the results of our reviews.

#### Substantive testing:

##### *Valuation of Aalto (GPM) contingent consideration payable*

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 of GPM and the Group who are outside of the finance function, as well as certain Board members of the Group, and assessed our understanding from 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.

##### *Impairment assessment of GPM goodwill*

We compared the modelled Group value-in-use and the Group's market capitalisation, assessing management's reconciliation between the two valuations. We examined the goodwill for the GPM CGU and assessed management's deal pipeline and corroborated forecasts to evidence support for deal progress where available and used market data to challenge management's estimates. We performed an independent sensitivity analysis to determine the impact of reasonable foreseeable changes to assumptions used in the value in use calculations for the GPM CGU to determine whether such changes would trigger material impairments.

### Key observations

As disclosed in Note 10, the Group's valuation of GPM indicates that no impairment charge is deemed necessary at 31 December 2019. If future results are lower than those forecast it is reasonably foreseeable that an impairment would arise. Based on historical growth rates and other available evidence, we consider the Group's projection of client forecasted cash flows to be within an acceptable range although at the optimistic end of that range. Man's sensitivity analysis around the key assumptions is shown in Note 10.

**Accuracy of performance fees** 

<b>Key audit matter description</b>	<p>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.</p> <p>The performance fees require the accurate implementation of methodologies as set out in the investment management agreements which are bespoke for each client or fund. The value of performance fees recorded in the year is \$325m (2018: \$126m).</p> <p>The performance fee calculation requires judgemental 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 which can change after the period-end. There is a presumed fraud risk associated to revenue. Given the complexity of the calculations and level of judgement involved in determining if the revenue has crystallised, accuracy of performance fees is deemed to be a key audit matter.</p> <p>The accounting policy for performance fees is detailed in Note 2.</p>
<b>How the scope of our audit responded to the key audit matter</b>	<p>Our procedures included:</p> <p><b>Assessing related controls:</b> We obtained an understanding of the relevant controls in the performance fees process and tested the relevant controls over the accuracy of performance fees.</p> <p><b>Tests of detail:</b> 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 when interpreting governing documents. For 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.</p>
<b>Key observations</b>	Based on our work, performance fees are appropriately recorded.

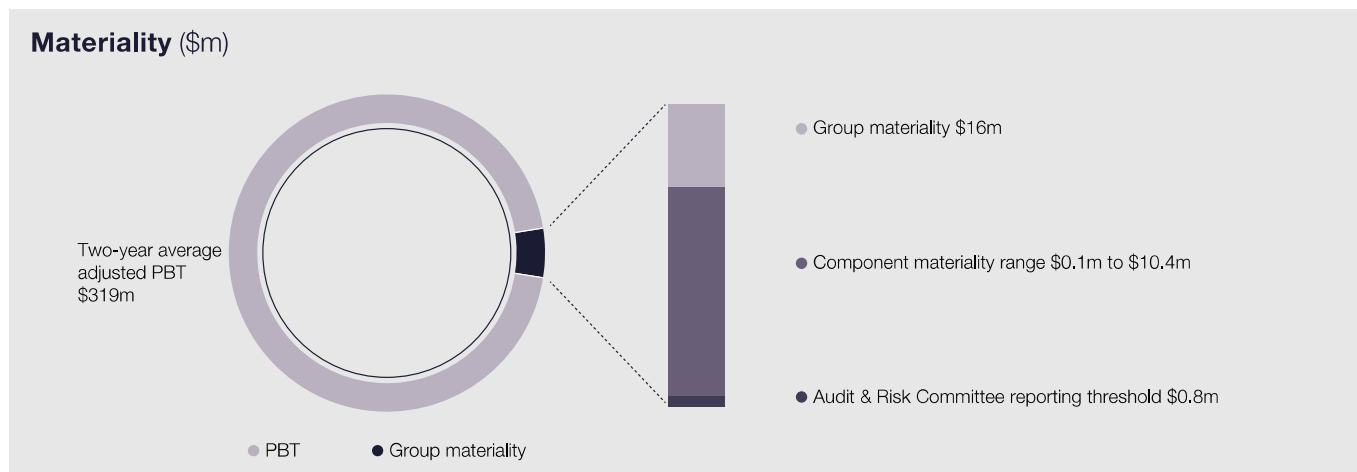
**6. Our application of materiality**

**6.1 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:

<b>Group financial statements</b>	
<b>Materiality</b>	\$16.0m (2018: \$15.8m)
<b>Basis for determining materiality</b>	5% of the two-year average adjusted profit before tax (“PBT”) (2018: 5% of the two-year average adjusted PBT)
<b>Rationale for the benchmark applied</b>	<p>Adjusted PBT in a key alternative performance measure that is reconciled to statutory profit before tax on page 149 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.</p> <p>Performance fees are variable and can fluctuate significantly year on year. For the year ended 31 December 2019, performance fees of \$325m have been recorded in comparison to \$126m in 2018. As a result, we have taken an average of the current year and prior year adjusted profit before tax in order to create a more stable basis.</p>



## 6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of Group materiality for the 2019 audit (2018: 70%).

When considering performance materiality we have taken into account our strong understanding of the entity and its environment. We have considered the reliability of the entity's internal controls over financial reporting and were able to rely upon controls for a number of business processes,

*We also considered our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.*

## 6.3 Error reporting threshold

We agreed with the Audit & Risk Committee that we would report to the Committee all audit differences in excess of \$798k (2018: \$790k), 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.

## 7. An overview of the scope of our audit

### 7.1 Identification and scoping of components

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 broadly 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 22 (2018: 23) subsidiaries across the UK, the US, Switzerland, Jersey, Japan, Ireland, the Cayman Islands and Channel Islands. A further 10 (2018: 10) subsidiaries across the UK, the US, Hong Kong, Jersey 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 the Group's operations at those locations. All other subsidiaries were subject to analytical review procedures.

These eight (2018: eight) geographical locations represent the principal business units and account for 99% (2018: 99%) of the Group's total assets, 99% (2018: 99%) of the Group's revenue and 97% (2018: 99%) 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 32 (2018: 33) subsidiaries was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from \$0.1m to \$10.4m (2018: \$0.2m to \$10.2m).

The Group audit team has developed a programme of planned visits that has been designed so that the Senior Statutory Auditor or a senior member of the Group audit team visits each of the locations where the Group audit scope is focused on a rotational basis. During the current year visits were made to New York and Switzerland. 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.

### 7.2 Our consideration of the control environment

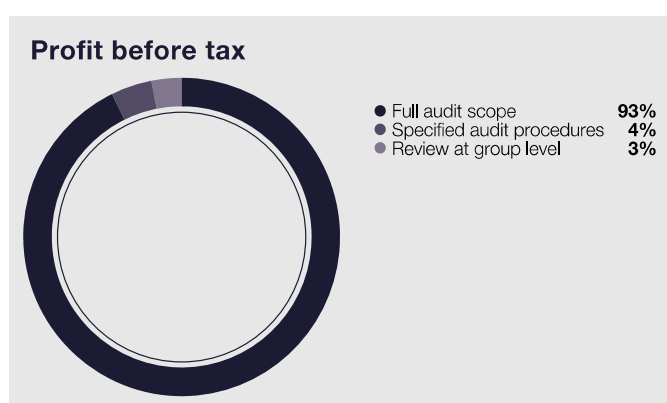
Where relevant, we followed a combined approach of performing substantive and controls testing. We took a controls reliance approach over management and performance fees and the related balance sheet receivables and accruals in all areas of the business except Aalto given these controls are not as embedded in the normal course of business. We also tested relevant controls over distribution costs, fixed compensation, asset servicing, investment in fund product plans, goodwill and contingent consideration and pension balances.

In the current period, the Group has changed financial reporting systems. We have performed general IT controls testing over the Group's financial reporting processes and the key IT systems for management fees, performance fees, distribution costs and compensation. In addition, we performed tests over manual relevant controls which complement these where needed.

### 7.3 Working with other auditors

The Group audit was directed and components were supervised by the UK audit team. Referrals for audit work were only issued to the US component team. For ongoing monitoring of the component auditor bi-weekly calls were held during the audit to discuss progress and provide relevant Group updates relevant to the Group audit.

All remaining audit work was performed by the UK audit team.



## 8. 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 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.

## 9. 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 controls 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 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 to cease operations, or have no realistic alternative but to do so.

## 10. 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 and non-compliance with laws and regulations 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## 11. 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.

### 11.1 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, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the Audit & Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their 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;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations
- the matters discussed among the audit engagement team including significant component audit teams and involving relevant internal specialists, including tax, valuations, pensions, IT, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: valuation of Aalto (GPM) contingent consideration and GPM goodwill, accuracy of performance fees and the possible recognition of contingent liabilities. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context include Jersey Law 1991, Listing Rules and Disclosure Guidance and Transparency Rules, pensions legislation, tax legislation and matters regulated by the Financial Conduct Authority. Compliance with regulatory capital requirements is fundamental to the Group's ability to continue as a going concern.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's solvency requirements.

### 11.2 Audit response to risks identified

As a result of performing the above, we identified valuation of Aalto (GPM) contingent consideration and GPM goodwill as key audit matters related to the potential risk of fraud.

The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters. 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 provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit & Risk Committee and in-house and external 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 FCA;
- in addressing the risk of fraud in possible contingent liabilities, we held meetings with external legal counsel; 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 also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists 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

### 12. Opinions on other matters prescribed by our engagement letter

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the provisions of UK Companies Act 2006 as if that Act had applied to the parent company.

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

### 13. Matters on which we are required to report by exception

#### 13.1 Adequacy of explanations received and accounting records

Under Jersey Law 1991 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
- proper accounting records have not been kept by the parent company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

### 14. Other matters

#### 14.1 Auditor tenure

Following the recommendation of the Audit & Risk Committee, we were appointed by the Audit and Risk Committee 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 six years, covering the years ending 31 December 2014 to 31 December 2019.

#### 14.2 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).

### 15. Use of our report

This report is made solely to the Group's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### David Barnes (ACA)

For and on behalf of Deloitte LLP  
Recognised Auditor  
Jersey  
28 February 2020



## Group income statement

\$m	Note	Year ended 31 December 2019	Year ended 31 December 2018
Revenue:			
Gross management and other fees	2	788	834
Performance fees	2	325	126
		<b>1,113</b>	<b>960</b>
Income or gains/(losses) on investments and other financial instruments	13.1	35	(10)
Third-party share of (gains)/losses relating to interests in consolidated funds	13.2	(18)	7
Revaluation of contingent consideration	26	37	31
Gain on sale of investment in Nephila	17	1	113
Distribution costs	3	(38)	(51)
Asset servicing costs	3	(55)	(51)
Amortisation of acquired intangible assets	10	(78)	(83)
Impairment of acquired intangible assets	10	(5)	–
Compensation	4	(476)	(437)
Other costs	5	(189)	(175)
Sub-lease rental income	19	14	–
Share of post-tax profit of associates	17	–	7
Finance expense	6	(42)	(40)
Finance income	6	8	7
<b>Profit before tax</b>		<b>307</b>	<b>278</b>
Tax expense	7	(22)	(5)
<b>Statutory profit attributable to owners of the Parent Company</b>		<b>285</b>	<b>273</b>
<b>Earnings per share:</b>	8		
Basic (cents)		18.9	17.3
Diluted (cents)		18.4	17.0

## Group statement of comprehensive income

\$m	Year ended 31 December 2019	Year ended 31 December 2018
<b>Statutory profit attributable to owners of the Parent Company</b>	<b>285</b>	<b>273</b>
<b>Other comprehensive income/(expense):</b>		
Remeasurements of post-employment benefit obligations	(10)	15
Current tax credited on pension scheme	3	4
Deferred tax debited on pension scheme	(2)	(6)
<b>Items that will not be reclassified to profit or loss</b>	<b>(9)</b>	<b>13</b>
Cash flow hedges:		
Valuation losses taken to equity	–	(16)
Transfer to Group income statement	12	(5)
Deferred tax (debited)/credited on cash flow hedge movements	(2)	4
Net investment hedge	–	4
Foreign currency translation	1	(11)
<b>Items that may be reclassified to profit or loss</b>	<b>11</b>	<b>(24)</b>
<b>Other comprehensive income/(expense) (net of tax)</b>	<b>2</b>	<b>(11)</b>
<b>Total comprehensive income attributable to owners of the Parent Company</b>	<b>287</b>	<b>262</b>

112 **Group balance sheet**

\$m	Note	At 31 December 2019	At 31 December 2018 <sup>1</sup>
<b>Assets</b>			
Cash and cash equivalents	12	281	370
Fee and other receivables	14	426	307
Investments in fund products and other investments	13	776	770
Pension asset	22	16	24
Right-of-use lease assets	19	209	–
Leasehold improvements and equipment	18	40	46
Goodwill and acquired intangibles	10	854	938
Other intangibles	11	31	26
Deferred tax assets	7	120	93
		<b>2,753</b>	2,574
Non-current assets held for sale	13	–	39
<b>Total assets</b>		<b>2,753</b>	2,613
<b>Liabilities</b>			
Trade and other payables	15	559	701
Provisions	16	8	26
Current tax liabilities	7	14	10
Third-party interest in consolidated funds	13	213	100
Lease liability	19	307	–
Borrowings	12	–	150
Deferred tax liabilities	7	28	33
<b>Total liabilities</b>		<b>1,129</b>	1,020
<b>Net assets</b>		<b>1,624</b>	1,593
<b>Equity</b>			
Capital and reserves attributable to owners of the Parent Company		<b>1,624</b>	1,593

Note:

1 The Group has applied IFRS 16 for the first time from 1 January 2019, using the cumulative catch-up approach (see further details in Note 1). Comparative information is not restated and the effect of transition is recognised in retained earnings at that date.

The financial statements were approved by the Board of Directors and authorised for issue on 28 February 2020 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 2019	Year ended 31 December 2018
<b>Cash flows from operating activities</b>			
Statutory profit		285	273
Adjustments for non-cash items:			
Income tax expense	7	22	5
Net finance expense	6	34	33
Share of post-tax profit of associates	17	–	(7)
Gain on sale of investment in Nephila	17	(1)	(113)
Revaluation of contingent consideration	26	(37)	(31)
Depreciation of leasehold improvements and equipment	18	15	14
Depreciation of right-of-use lease assets	19	20	–
Amortisation of acquired intangible assets	10	78	83
Impairment of acquired intangible assets	10	5	–
Amortisation of other intangibles	11	12	10
Share-based payment charge	4	28	25
Fund product based payment charge	4	50	41
Unrealised foreign exchange movements on lease liabilities and associated deferred tax		10	–
Other non-cash movements		12	5
Return of Reservoir Trust pension plan assets on wind-up	22	–	19
		<b>533</b>	<b>357</b>
<b>Changes in working capital:</b>			
(Increase)/decrease in receivables		(122)	354
Decrease/(increase) in other financial assets <sup>1</sup>		170	(203)
Increase/(decrease) in payables		5	(140)
<b>Cash generated from operations</b>		<b>586</b>	<b>368</b>
Interest paid		(11)	(11)
Unwind of lease liability discount <sup>2</sup>		(14)	–
Unwind of discount in relation to acquisitions <sup>3</sup>		(80)	–
Income tax paid		(43)	(35)
<b>Cash flows from operating activities</b>		<b>438</b>	<b>322</b>
<b>Cash flows from investing activities</b>			
Purchase of leasehold improvements and equipment		(9)	(16)
Purchase of other intangible assets		(14)	(15)
Payment of contingent consideration in relation to acquisitions <sup>3</sup>		(78)	(22)
Acquisition of business and other acquired intangibles		–	(3)
Interest received		8	5
Proceeds from sale of Nephila		1	140
Dividends received from Nephila	17	–	8
<b>Cash flows from investing activities</b>		<b>(92)</b>	<b>97</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares		–	6
Proceeds from sale of Treasury and Employee Trust shares in respect of Sharesave		2	–
Purchase of own shares by the Employee Trust and Partnerships		(11)	(32)
Repayments of principal lease liability <sup>2</sup>		(20)	–
Payment of contingent consideration in excess of projected fair value recognised at acquisition <sup>3</sup>		(11)	–
Share repurchase programme (including costs)		(92)	(211)
Repayment of Tier 2 notes	12	(150)	–
Payment of capitalised upfront costs on revolving credit facility		(1)	–
Dividends paid to Company shareholders	9	(152)	(189)
<b>Cash flows from financing activities</b>		<b>(435)</b>	<b>(426)</b>
<b>Net decrease in cash</b>		<b>(89)</b>	<b>(7)</b>
Cash at the beginning of the year		370	379
Effect of foreign exchange movements		–	(2)
<b>Cash at year end<sup>4</sup></b>	12	<b>281</b>	<b>370</b>

## Notes:

- Includes \$35 million of restricted net cash inflows (2018: \$3 million) relating to consolidated fund entities (Note 13.2).
- As required by IFRS 16 from 1 January 2019 (Note 1 and Note 19).
- Relates to the final Numeric contingent consideration payment in September 2019 (Note 26) as required by IAS 7, whereby the total consideration paid is greater than the projected fair value of contingent consideration recognised on acquisition, the unwind of discount over the life of the earn-out should be recognised within operating activities and any residual payment in excess of this recognised within financing activities.
- Includes \$61 million (2018: \$26 million) of restricted cash relating to consolidated fund entities (Note 13.2).

## 114 Group statement of changes in equity

	Year ended 31 December 2019	Year ended 31 December 2018
\$m		
Share capital and capital reserves	(1,635)	1,226
Revaluation reserves and retained earnings	3,259	367
<b>Capital and reserves attributable to owners of the Parent Company</b>	<b>1,624</b>	<b>1,593</b>

**Share capital and capital reserves**

\$m	Share capital	Share premium account	Capital redemption reserve	Merger reserve	Reorganisation reserve	Total
<b>At 1 January 2019</b>	55	32	8	499	632	1,226
Purchase and cancellation of own shares	(2)	-	2	-	-	-
Scheme of arrangement (Note 1):						
– Cancellation of shares in former holding company	(53)	(32)	(10)	(499)	(632)	(1,226)
– Issue of shares in new holding company	53	2,861	-	-	(1,688)	1,226
Capital reduction (Note 1)	-	(2,861)	-	-	-	(2,861)
<b>At 31 December 2019</b>	<b>53</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,688)</b>	<b>(1,635)</b>

**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 <sup>1</sup>	Total
<b>At 1 January 2019</b>	499	(62)	(114)	54	(10)	367
Adjustment for adoption of IFRS 16 (Note 1)	(24)	-	-	-	-	(24)
<b>At 1 January 2019</b>	<b>475</b>	<b>(62)</b>	<b>(114)</b>	<b>54</b>	<b>(10)</b>	<b>343</b>
Statutory profit	285	-	-	-	-	285
Other comprehensive income/(expense):						
Revaluation of defined benefit pension scheme	(10)	-	-	-	-	(10)
Current tax credited on pension scheme	3	-	-	-	-	3
Deferred tax debited on pension scheme	(2)	-	-	-	-	(2)
Transfer cash flow hedge to Group income statement <sup>1</sup>	-	-	-	-	12	12
Deferred tax debited on cash flow hedge movements	-	-	-	-	(2)	(2)
Currency translation difference	-	-	-	1	-	1
Share-based payment charge	28	-	-	-	-	28
Scheme of arrangement – capital reduction (Note 1)	2,861	-	-	-	-	2,861
Deferred tax credited on share-based payments	1	-	-	-	-	1
Purchase of own shares by the Employee Trust	-	(11)	-	-	-	(11)
Disposal of own shares by the Employee Trust	(15)	15	-	-	-	-
Share repurchases	(100)	-	-	-	-	(100)
Transfer to Treasury shares	92	-	(92)	-	-	-
Transfer from Treasury shares	(4)	(8)	12	-	-	-
Cancellation of Treasury shares	(140)	-	140	-	-	-
Disposal of Treasury shares in respect of Sharesave	-	-	2	-	-	2
Dividends	(152)	-	-	-	-	(152)
<b>At 31 December 2019</b>	<b>3,322</b>	<b>(66)</b>	<b>(52)</b>	<b>55</b>	<b>-</b>	<b>3,259</b>

Note:

<sup>1</sup> Details of the Group's hedging arrangements are provided in Note 12.

The proposed final dividend would reduce shareholders' equity by \$76 million (2018: \$83 million) subsequent to the balance sheet date (Note 9). Further details of the Group's share capital and reserves are included in Note 21.

## 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 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
<b>At 31 December 2018</b>	<b>55</b>	<b>32</b>	<b>8</b>	<b>499</b>	<b>632</b>	<b>1,226</b>

## 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	Available-for-sale reserve	Total
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 <sup>1</sup>	–	–	–	–	(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 <sup>2</sup>	–	–	7	–	–	–	7
Dividends	(189)	–	–	–	–	–	(189)
<b>At 31 December 2018</b>	<b>499</b>	<b>(62)</b>	<b>(114)</b>	<b>54</b>	<b>(10)</b>	<b>–</b>	<b>367</b>

## Notes:

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 26).

116 **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. 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 117. The impact, if any, of new accounting standards and amendments applicable for the year ended 31 December 2019 and accounting standards that are not yet effective are detailed on pages 117 to 118.

**Consolidated group and presentation currency**

The consolidated group is Man Group plc (the Company) and its subsidiaries (together the Group or Man). The Company has taken advantage of the exemption provided in Article 105 (11) of the Companies (Jersey) Law 1991 and therefore does not present its individual financial statements and related notes. 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 2019. Subsidiaries are entities controlled by Man (including structured entities, as defined by IFRS 12 'Disclosure of Interests in Other Entities', see Note 13.4 for further details), 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 and balances 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 is recognised at fair value at the acquisition date, with any subsequent changes to the fair value 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, or receive the returns on the fund entity via a total return swap or sale and repurchase arrangement, the characteristics of control are not met. 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 15 funds for the year ended 31 December 2019 (2018: 13), 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 26 to 30.

**Judgemental areas and accounting estimates**

The most significant area of judgement is whether the Group controls certain funds through its exposure to fund products via either direct investments, total return swaps or sale and repurchase arrangements, 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 Aalto acquisition (Note 26) and the valuation of goodwill and acquired intangibles for CGUs with lower levels of headroom (Note 10). 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 72.

**Going concern**

Man's business activity is discussed on pages 1 to 55, together with the significant risk factors (pages 37 to 39). Man's liquidity and capital positions are set out in Notes 12 and 21 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 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 35.

**Corporate reorganisation**

In May 2019 the Group adjusted its corporate structure as described in the Chairman's statement on page 5. Man Group plc was incorporated in Jersey on 26 October 2018 and became the new listed holding company of the Group on 28 May 2019 via a court-approved scheme of arrangement under Part 26 of the UK Companies Act 2006, with the former holding company being renamed Man Group Limited. Under the scheme of arrangement, shares in the former holding company of the Group were cancelled and the same number of new ordinary shares were issued to the new holding company in consideration for the allotment to shareholders of one ordinary share of 3 <sup>3</sup>/<sub>7</sub> US cents in the new holding company for each ordinary share of 3 <sup>3</sup>/<sub>7</sub> US cents they held in the former holding company. On 28 May 2019, Man Group plc effected a reduction of its share capital by cancelling its share premium and recognising an equivalent increase in the profit and loss account in reserves.

## 1. Basis of preparation continued

### Financial reporting controls

Details of the Group's systems of internal control are included on page 35.

### Significant accounting policies schedule

Policy	Note	Page
Revenue	2	118
Distribution costs and asset servicing	3	119
Tax	7	121-122
Goodwill and acquired intangibles	10	123-125
Investments in fund products and other investments	13	127-129
Leases	19	132
Deferred compensation arrangements	20	133-134
Pension	22	136-139

### Impact of new accounting standards

A number of new or amendments to existing accounting 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 2019:

- 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 and removes the distinction between operating and finance leases for lessees. There is substantially no change to the accounting requirements for lessors.

Man's lease arrangements relate to business premises property leases. For arrangements where Man is the lessee, a right-of-use (ROU) lease asset and a related lease liability are recognised on the Group balance sheet at the date from which Man has the right to use the asset, usually the lease commencement date, except for short-term leases and low value assets. The lease liability is measured at the present value of future lease payments, discounted using the Group's incremental borrowing rate. The ROU lease asset is initially measured at cost, which is equivalent to the lease liability. Lease incentives such as rent-free periods are recognised as part of the measurement of ROU lease assets and lease liabilities. The ROU lease asset is assessed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable and depreciated on a straight-line basis over the shorter of the lease term or the useful life of the asset, adjusted for any remeasurements of the lease liability. The lease liability is subsequently adjusted for lease payments and the interest unwind, as well as the impact of any subsequent lease modifications.

Man has taken advantage of the IFRS 16 exemption for low value lease assets and leases with a lease term of one year or less, recognising the lease payments on a straight-line basis over the lease term within other costs in the Group income statement.

Where Man is acting as a lessor, the Group has determined that these arrangements are classified as operating leases in accordance with IFRS 16. Sub-lease rental income is recognised on a straight line basis over the life of the lease in the Group income statement.

#### Transition considerations

IFRS 16 has been adopted using the cumulative catch-up approach as set out in IFRS 16.C8(b)(i) where the cumulative effect of initial application is recognised in retained earnings at 1 January 2019, without restatement of the prior year comparatives. When applying the cumulative catch-up approach, the Group has measured the ROU lease assets as if it had applied IFRS 16 since the lease commencement date using its incremental borrowing rate at transition date. The Group has applied the practical expedients under IFRS 16 to: (1) reclassify onerous lease balances of \$19 million at 31 December 2018 against the ROU lease assets as an alternative to performing an impairment review at transition date; (2) apply a single discount rate to leases with reasonably similar characteristics; and (3) use hindsight in determining lease terms.

The impact on transition is summarised below:

\$m	As presented at 31 December 2018	Adjustment for adoption of IFRS 16	1 January 2019
Deferred rent and lease incentives <sup>1</sup>	(40)	40	–
Onerous lease provisions (Note 16)	(19)	19	–
Right-of-use lease assets	–	247	247
Right-of-use lease assets – impairment (practical expedient)	–	(19)	(19)
Deferred tax asset (Note 7)	–	5	5
Lease liability	–	(316)	(316)
Retained earnings	(499)	24	(475)

Note:

<sup>1</sup> Included within trade and other payables at 31 December 2018. In addition, \$17 million of deferred rent receivable balances, which were previously included net within trade and other payables, have been reclassified at 1 January 2019 to fee and other receivables.

118 **Notes to the Group financial statements** continued**1. Basis of preparation** continued

As a result of applying IFRS 16, the Group holds an ROU lease asset of \$209 million and lease liability of \$307 million on the Group balance sheet as at 31 December 2019, of which \$166 million and \$257 million respectively relate to our Riverbank House premises in London.

Depreciation of ROU lease assets of \$20 million (Note 5) and interest costs of \$14 million (Note 6), as well as sub-lease rental income of \$14 million, have been recognised in the Group income statement for the year to 31 December 2019. If the leases had continued to be recognised under IAS 17, we would have recognised occupancy costs of around \$15 million for the year ended 31 December 2019. The higher comparable net expense of \$5 million for the year ending 31 December 2019 is a result of the front-loading of the charge in the earlier years of the lease in accordance with the IFRS 16 recognition profile. The reduction in reserves at 1 January 2019 will be offset in future years by a lower Group income statement charge over the remaining life of the leases, as the total charge over the life of each lease is the same as under the previous IAS 17 requirements.

The lease liability recognised at 1 January 2019 can be reconciled to the operating lease commitments as disclosed at 31 December 2018 as follows:

\$m	
Operating lease commitments at 31 December 2018 (excluding sub-lease arrangements) (Note 19)	442
Exclude service charges, short-term and low value leases not in scope for IFRS 16	(2)
Exclude payments made in advance	(6)
Adjust for extension options reasonably certain to be exercised	4
Add the effect of discounting at the Group's incremental borrowing rate	(122)
<b>Lease liability at 1 January 2019</b>	<b>316</b>

In addition to IFRS 16, the following standards relevant to the Group's operations also became effective in the year to 31 December 2019:

- IFRIC 23 Uncertainty over Income Tax Treatments and the amendments to IAS 19 Employee Benefits: these do not have a significant impact on the Group's reported results.
- Amendments included in the Annual Improvements to IFRS Standards 2015-2017 Cycle including amendments to IFRS 3 Business Combinations, IAS 12 Income Taxes and IAS 23 Borrowing Costs: these amendments do not have a significant impact on the Group's reported results.

The following standards are relevant to the Group's operations and have been issued by the IASB but are not yet mandatory and have not been early adopted:

- Amendments to IFRS 3 Business Combinations (applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual period beginning on or after 1 January 2020).
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (applied prospectively for annual periods beginning on or after 1 January 2020).
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020).

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.

Management fees net of rebates, which include all non-performance related fees, are recognised in the year in which contractual investment management services are provided and do not include any other performance obligations. 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.

Performance fees net of rebates relate to the performance of the funds managed during the year and are recognised when the performance obligation has been met, whereby the fee has crystallised and can be reliably estimated. 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 fees on any positive investment returns in excess of the high water mark, meaning we will not be able to earn performance fees 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.

Analysis of FUM, margins and performance is provided in the Chief Financial Officer's review on pages 26 to 29.



### 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 from \$51 million in 2018 to \$38 million in 2019, despite broadly stable 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.

### 4. Compensation

\$m	Year ended 31 December 2019	Year ended 31 December 2018
Salaries	163	153
Variable cash compensation	187	175
Share-based payment charge	28	25
Fund product based payment charge	50	41
Social security costs	36	32
Pension costs	13	10
Restructuring costs (adjusting item per page 149)	(1)	1
<b>Total compensation costs</b>	<b>476</b>	<b>437</b>

Compensation is the Group's largest cost and an important component of Man's ability to retain and attract talent. In the short term, the variable component of compensation adjusts with revenues and profitability.

Total compensation costs, excluding restructuring, have increased by 9% compared to 2018, largely due to the increase in performance fee revenues year on year, as reflected in increased variable cash compensation. The compensation ratio, as outlined on page 151, has decreased to 43% from 48% in 2018 as a result of the higher level of performance fee revenue.

Salaries have increased from the prior year largely as a result of the 3% increase in average headcount, reflecting the full year impact of investment in people within the business during 2018, together with a less favourable hedged sterling (GBP) to USD rate in 2019 (1.36) compared to the hedged rate in 2018 (1.29), which had a \$6 million impact compared to the 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 20.

Pension costs relate to Man's defined contribution and defined benefit plans (Note 22). A credit of \$2 million arising due to a change in the conversion factors of the Swiss defined benefit pension plan has been classified as an adjusting item within restructuring costs.

#### Average headcount

The table below provides average headcount by function, including directors, employees, partners and contractors:

	Year ended 31 December 2019 <sup>1</sup>	Year ended 31 December 2018
Investment management	375	490
Sales and marketing	195	186
Support functions	843	700
<b>Average headcount</b>	<b>1,413</b>	<b>1,376</b>

Note:

<sup>1</sup> Technology staff supporting the investment management side of the Group's business have been included within support functions in the year ended 31 December 2019. Previously these staff were included within the investment management headcount. All staff performing technology-based roles are now included within support functions.

120 **Notes to the Group financial statements** continued**5. Other costs**

\$m	Year ended 31 December 2019	Year ended 31 December 2018
Occupancy	13	27
Technology and communications	26	26
Temporary staff, recruitment, consultancy and managed services	21	24
Audit, tax, legal and other professional fees	26	21
Benefits	15	14
Travel and entertainment	13	13
Insurance	3	4
Marketing and sponsorship	5	6
Other cash costs, including irrecoverable VAT	13	11
Restructuring (adjusting item per page 149)	7	5
Total other costs before depreciation and amortisation	142	151
Depreciation of leasehold property and equipment, and amortisation of other intangibles	27	24
Depreciation of ROU lease assets <sup>1</sup> (Note 19)	20	–
Total other costs	189	175

Note:

1 As IFRS 16 was adopted on 1 January 2019 and not applied retrospectively, there is no comparative for 2018 (see Note 1 for further details).

Other costs, before depreciation and amortisation, have decreased from \$151 million to \$142 million in 2019, largely due to the adoption of IFRS 16 in 2019 (Note 1), whereby the net lease costs of around \$15 million previously recognised within occupancy costs are reflected in depreciation (of the ROU lease assets), finance expense (unwind of the discounted lease liability) and sub-lease rental income in the Group income statement from 1 January 2019 (see Note 1 for further details). This decrease is partially offset by a \$4 million impact from the less favourable hedged GBP to USD rate in 2019.

Other restructuring costs of \$7 million in 2019 relate to professional fees incurred in relation to the Group's corporate reorganisation (2018: \$3 million). In 2018 we also included a reassessment of our onerous property lease provision of \$2 million (prior to the 2019 adoption of IFRS 16 as outlined in Note 1).

Depreciation and amortisation has increased by \$23 million in 2019 compared to 2018, driven by \$20 million due to the adoption of IFRS 16 (Note 1) as well as increased investment in software development projects across our operating platforms in recent years.

Auditor's remuneration, including advisory and professional services, is disclosed in the Corporate Governance section on page 74.

**6. Finance expense and finance income**

\$m	Year ended 31 December 2019	Year ended 31 December 2018
<b>Finance expense:</b>		
Interest payable on borrowings (Note 12)	(6)	(9)
Revolving credit facility costs and other (Note 12)	(4)	(3)
Unwind of lease liability discount <sup>1</sup> (Note 1)	(14)	–
Unwind of contingent consideration discount (adjusting item per page 149)	(18)	(28)
Total finance expense	(42)	(40)
<b>Finance income:</b>		
Interest on cash deposits	8	7
Total finance income	8	7

Note:

1 As IFRS 16 was adopted on 1 January 2019 and not applied retrospectively, there is no comparative for 2018 (see Note 1 for further details).

The unwind of lease liability discount relates to leases accounted for under IFRS 16. Interest payable on borrowings has decreased by \$3 million in 2019 due to the repayment of the Group's Tier 2 notes in September 2019 (see Note 12 for further details).

## 7. Tax

\$m	Year ended 31 December 2019	Year ended 31 December 2018
<b>Analysis of tax expense:</b>		
Current tax:		
UK corporation tax on profits	46	29
Foreign tax	4	5
Adjustments to tax charge in respect of previous years	2	1
<b>Total current tax</b>	<b>52</b>	<b>35</b>
Deferred tax:		
Origination and reversal of temporary differences	(3)	(10)
Recognition of US deferred tax assets (adjusting item per page 150)	(27)	(20)
<b>Total deferred tax</b>	<b>(30)</b>	<b>(30)</b>
<b>Total tax expense</b>	<b>22</b>	<b>5</b>

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 Organisation for Economic Co-operation and Development (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 profits in the period were earned in the UK, Switzerland and the US. The Group's US federal tax rate is effectively nil as a result of accumulated US deferred tax assets, as detailed on page 122.

The current effective tax rate of 7% (2018: 2%) differs from the applicable underlying statutory tax rates principally as a result of the incremental recognition of the US deferred tax assets of \$27 million (2018: \$20 million). The effective tax rate is otherwise consistent with this earnings profile. As the US deferred tax assets are recognised in full at 31 December 2019, the Group's future statutory tax rate is expected to be more aligned with the rate applicable to the mix of profits by jurisdiction.

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 the Group operates, 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 \$14 million (2018: \$10 million) on the Group balance sheet, comprise gross current tax liabilities of \$16 million (2018: \$15 million) net of current tax assets of \$2 million (2018: \$5 million).

Man's tax expense is lower than the amount that would arise using the theoretical tax rate applicable to the profits of the Group as follows:

\$m	Year ended 31 December 2019	Year ended 31 December 2018
Profit before tax	307	278
Theoretical tax expense at UK rate: 19% (2018: 19%)	58	53
Effect of:		
Overseas tax rates compared to UK	(10)	(8)
Adjustments to tax charge in respect of previous periods	2	1
Disposal of investment in Nephila (Note 17)	-	(22)
Recognition of US deferred tax asset	(27)	(20)
Other	(1)	1
<b>Tax expense</b>	<b>22</b>	<b>5</b>

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

Movements in deferred tax are as follows:

\$m	Year ended 31 December 2019	Year ended 31 December 2018
<b>Deferred tax liability</b>		
At 1 January	(33)	(48)
Credit to the Group income statement	5	15
<b>Deferred tax liability at 31 December</b>	<b>(28)</b>	<b>(33)</b>
<b>Deferred tax asset</b>		
At 1 January	93	81
Adjustment for adoption of IFRS 16 (Note 1)	5	-
Credit to the Group income statement	25	15
Charge to other comprehensive income and equity	(3)	(3)
<b>Deferred tax asset at 31 December</b>	<b>120</b>	<b>93</b>

The deferred tax liability of \$28 million (2018: \$33 million) largely relates to deferred tax arising on acquired intangible assets.

122 **Notes to the Group financial statements** continued**7. Tax** continued

The deferred tax asset income statement credit of \$25 million (2018: \$15 million) predominantly relates to the recognition of US deferred tax assets of \$27 million (2018: \$20 million). The charge to other comprehensive income and equity of \$3 million (2018: \$3 million) relates to movements in relation to pensions, unrealised cash flow hedge balances and employee share scheme balances.

The gross amount of UK non-trading losses for which a deferred tax asset has not been recognised is \$45 million (2018: \$45 million). These losses are not subject to an expiration period.

The deferred tax asset comprises:

\$m	31 December 2019	31 December 2018
US tax assets	89	62
Defined benefit pension schemes	4	6
Employee share schemes	15	11
Tax allowances over depreciation	7	8
Other	5	6
<b>Deferred tax asset</b>	<b>120</b>	<b>93</b>

The Group has accumulated deferred tax assets in the US of \$89 million (2018: \$108 million). These deferred tax assets comprise accumulated operating losses from existing operations of \$48 million (2018: \$53 million), future amortisation of goodwill and intangible assets generated from acquisitions of \$31 million (2018: \$45 million of which \$9 million was recognised) and other timing differences of \$10 million (2018: \$10 million, none of which was recognised) that will be available to offset future taxable profits in the US. From the maximum available deferred tax assets of \$108 million at 31 December 2018, a deferred tax asset of \$62 million was recognised on the Group balance sheet, representing amounts which could be offset against probable future taxable profits. Given the recent history of US taxable profits and forecast future profitability, we consider it appropriate to recognise all of the available US deferred tax assets (\$89 million) on the Group balance sheet at 31 December 2019. As we expect to fully utilise these deferred tax assets over the foreseeable future, no impairment is indicated. Should forecast US profits decrease by 10%, the expected utilisation period of the US deferred tax assets would increase by less than one year.

Man does not currently expect to pay federal tax on any profits it may earn in the US until 2023. Accordingly, any movements in the deferred tax asset in the year are classified as an adjusting item (see page 150). The gross amount of US non-trading losses for which a deferred tax asset has not been recognised is nil (2018: nil). For US tax purposes, the losses will expire over a period of 12 to 17 years.

**8. Earnings per ordinary share (EPS)**

The calculation of basic EPS is based on post-tax profit of \$285 million (2018: \$273 million), and ordinary shares of 1,509,534,942 (2018: 1,578,826,775), 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 1,543,490,112 (2018: 1,602,842,248).

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

	Year ended 31 December 2019		Year ended 31 December 2018	
	Total number (million)	Weighted average (million)	Total number (million)	Weighted average (million)
Number of shares at beginning of year	1,610.1	1,610.1	1,643.6	1,643.6
Issues of shares	–	–	2.4	1.9
Repurchase of own shares	(68.3)	(41.9)	(35.9)	(28.6)
Number of shares at period end	1,541.8	1,568.2	1,610.1	1,616.9
Shares held in Treasury reserve	(25.7)	(31.0)	(54.2)	(14.3)
Shares owned by Employee Trust	(28.6)	(27.7)	(25.2)	(23.8)
Basic number of shares	1,487.5	1,509.5	1,530.7	1,578.8
Share awards under incentive schemes		33.2		22.5
Employee share options		0.8		1.5
Diluted number of shares		1,543.5		1,602.8

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

	Year ended 31 December 2019	Year ended 31 December 2018
Basic and diluted post-tax earnings (\$m)	285	273
Basic earnings per share (cents)	18.9	17.3
Diluted earnings per share (cents)	18.4	17.0

## 9. Dividends

\$m	Year ended 31 December 2019	Year ended 31 December 2018
<b>Ordinary shares</b>		
Final dividend paid for the year to 31 December 2018 – 5.1 cents (2017: 5.8 cents)	80	90
Interim dividend paid for the six months to 30 June 2019 – 4.7 cents (2018: 6.4 cents)	72	99
Dividends paid	152	189
Proposed final dividend for the year to 31 December 2019 – 5.1 cents (2018: 5.4 cents)	76	83

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 33. Details of dividends waived in the period are included in Note 20.

## 10. Goodwill and acquired intangibles

\$m	Year ended 31 December 2019					Year ended 31 December 2018				
	Goodwill	Investment management agreements	Distribution channels	Brand names	Total	Goodwill	Investment management agreements	Distribution channels	Brand names	Total
Net book value at beginning of the year	642	268	19	9	938	648	340	24	12	1,024
Purchases/acquisitions <sup>1</sup>	–	–	–	–	–	–	3	–	–	3
Amortisation	–	(70)	(4)	(4)	(78)	–	(75)	(5)	(3)	(83)
Impairment	–	(5)	–	–	(5)	–	–	–	–	–
Currency translation	(1)	–	–	–	(1)	(6)	–	–	–	(6)
<b>Net book value at year end</b>	<b>641</b>	<b>193</b>	<b>15</b>	<b>5</b>	<b>854</b>	<b>642</b>	<b>268</b>	<b>19</b>	<b>9</b>	<b>938</b>
Allocated to cash-generating units as follows:										
AHL	452	1	–	–	453	453	1	–	–	454
GLG	–	94	6	3	103	–	141	9	6	156
FRM	–	6	–	–	6	–	14	–	–	14
Numeric	134	86	–	2	222	134	104	–	3	241
GPM	55	6	9	–	70	55	8	10	–	73

Note:

1 Purchases/acquisitions in 2018 relate to the purchase of investment management agreements in relation to strategic bond strategies.

### 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 \$78 million (2018: \$83 million) primarily relates to the investment management agreements recognised on the acquisitions 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 2019 use cash flow projections based on the Board approved financial plan for the year to 31 December 2020 and a further two years of projections (2021 and 2022), 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. Lease payments are treated as cash outflows in line with the former IAS 17 classification. Whilst this represents a mismatch between the valuation model and the lease costs recognised in the Group income statement under IFRS 16, the calculation of the value in use is not significantly different under the two approaches.

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. These are not significantly different to their pre-tax equivalent.

124 **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 management fee profits and performance fee profits. The discount rates are based on the Group's weighted average cost of capital using a risk free interest rate, together with an equity market 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 2022 and applying the mid-point of a range of historical multiples to the forecast cash flows associated with management and performance fee profits.

The Group has considered the impact of the exit of the United Kingdom from the European Union on 31 January 2020, including a range of 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 2019. Further discussion on Brexit is provided in the Market environment (page 14) and Risk management (page 34) sections of the Strategic report.

The recoverable amount of each CGU (the value in use) has been assessed at 31 December 2019. 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%	1%	7%	3%	28%
Discount rate					
– Management fees <sup>1</sup>	11%	11%	11%	11%	15%
– Performance fees <sup>2</sup>	17%	17%	17%	17%	21%
Terminal value (mid-point of range of historical multiples) <sup>3</sup>					
– Management fees	13.0x	13.0x	5.3x	13.0x	16.8x
– Performance fees	5.5x	5.5x	3.5x	5.5x	5.5x

## Notes:

- The pre-tax equivalent of the net management fees discount rate is 13%, 13%, 14%, 14% and 17% for each of the AHL, GLG, FRM, Numeric and GPM CGUs, respectively.
- The pre-tax equivalent of the net performance fees discount rate is 21%, 20%, 21%, 22% and 24% for each of the AHL, GLG, FRM, Numeric and GPM CGUs, respectively.
- The implied terminal growth rates are 1%, 3%, -10%, 3% and 9% for each of the AHL, GLG, FRM, Numeric and GPM CGUs, respectively. The terminal value is added to cash flow projections based on the Board approved financial plan for the year to 31 December 2020 and a further two years of projections (2021 and 2022), and discounted.

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. We have considered reasonably foreseeable changes in the compound average annualised growth in FUM forecast assumption for each CGU, stressing this by 2% and also to the point at which impairment would arise, except as stated otherwise. In particular, for the GPM CGU, which has a low level of headroom, we have stressed this by 10% to indicate a more extreme downside scenario. 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 2019 indicates a value of \$3.1 billion, with around \$2.6 billion of headroom over the carrying value of the AHL business. Therefore, no impairment charge is deemed necessary at 31 December 2019 (2018: nil). The valuation at 31 December 2019 is around \$0.4 billion higher than the value in use calculation at 31 December 2018, primarily due to higher than forecast performance in 2019.

Sensitivity analysis:	Compound average annualised growth in FUM			Discount rates (post-tax)		Multiples (post-tax)	
				Management fee/performance fee		Management fee/performance fee	
Key assumption stressed to:	11%	9%	1% <sup>1</sup>	10%/16%	12%/18%	14.0x/6.5x	12.0x/4.5x
Modelled headroom/(impairment) (\$m)	2,566	2,210	1,009	2,636 <sup>2</sup>	2,496 <sup>2</sup>	2,906 <sup>3</sup>	2,226 <sup>3</sup>

## Notes:

- Stressed by 10%, as opposed to the point of impairment, given an impairment scenario is not reasonably foreseeable.
- An increase/decrease in the value in use calculation of \$70 million.
- An increase/decrease in the value in use calculation of \$340 million.

**GLG cash-generating unit**

The GLG value in use calculation at 31 December 2019 indicates a value of \$190 million, with around \$60 million of headroom over the carrying value of the GLG business. Therefore, no impairment charge is deemed necessary at 31 December 2019 (2018: nil). The valuation at 31 December 2019 is around \$130 million lower than the value in use calculation at 31 December 2018 largely due to lower than forecast net flows and performance in 2019. Amortisation of acquired intangibles reduced the carrying value by \$53 million during the year.

Sensitivity analysis:	Compound average annualised growth in FUM			Discount rates (post-tax)		Multiples (post-tax)	
				Management fee/performance fee		Management fee/performance fee	
Key assumption stressed to:	1%	(1%)	(2%) <sup>1</sup>	10%/16%	12%/18%	14.0x/6.5x	12.0x/4.5x
Modelled headroom/(impairment) (\$m)	63	22	–	67 <sup>2</sup>	59 <sup>2</sup>	79 <sup>3</sup>	47 <sup>3</sup>

## Notes:

- Stressed in a downside scenario to determine the point at which headroom would be reduced to nil, after which impairment would arise.
- An increase/decrease in the value in use calculation of \$4 million.
- An increase/decrease in the value in use calculation of \$16 million.

## 10. Goodwill and acquired intangibles continued

### FRM cash-generating unit

The FRM value in use calculation at 31 December 2019 indicates a value of \$41 million, with \$31 million of headroom over the carrying value of the FRM business. Therefore, no impairment charge is deemed necessary at 31 December 2019 (2018: nil). The valuation at 31 December 2019 is around \$8 million higher than the value in use calculation at 31 December 2018 due to higher than previously forecast net management fee margins and amortisation of acquired intangibles of \$3 million, which lowers the carrying value, partly offset by lower than forecast flows during the year.

Sensitivity analysis:	Compound average annualised growth in FUM			Discount rates (post-tax)		Multiples (post-tax)	
				Management fee/performance fee		Management fee/performance fee	
Key assumption stressed to:	7%	5%	(10%) <sup>1</sup>	10%/16%	12%/18%	6.3x/4.5x	4.3x/2.5x
Modelled headroom/(impairment) (\$m)	31	26	–	32 <sup>2</sup>	30 <sup>2</sup>	37 <sup>3</sup>	25 <sup>3</sup>

Notes:

- 1 Stressed 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 \$6 million.

### Numeric cash-generating unit

The Numeric value in use calculation at 31 December 2019 indicates a value of around \$670 million, with around \$440 million of headroom over the carrying value of the Numeric business. Therefore, no impairment charge is deemed necessary at 31 December 2019 (2018: nil). The valuation at 31 December 2019 is around \$30 million lower than the value in use calculation at 31 December 2018, primarily as a result of outflows during the year and lower net management fee margins. Amortisation of acquired intangibles reduced the carrying value by \$19 million during the year.

Sensitivity analysis:	Compound average annualised growth in FUM			Discount rates (post-tax)		Multiples (post-tax)	
				Management fee/performance fee		Management fee/performance fee	
Key assumption stressed to:	3%	1%	(31%) <sup>1</sup>	10%/16%	12%/18%	14.0x/6.5x	12.0x/4.5x
Modelled headroom/(impairment) (\$m)	442	363	–	458 <sup>2</sup>	426 <sup>2</sup>	488 <sup>3</sup>	396 <sup>3</sup>

Notes:

- 1 Stressed 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 \$16 million.
- 3 An increase/decrease in the value in use calculation of \$46 million.

### GPM cash-generating unit

The GPM value in use calculation at 31 December 2019 indicates a value of around \$73 million, with \$3 million of headroom over the carrying value of the GPM business. We have updated our terminal growth rate, which is applied after three years of forecast cash flows, to 9% (2018: 7%) to reflect higher than steady-state growth that we expect to realise in the medium term (until December 2025), with a terminal growth rate assumption of 7% thereafter. A higher growth rate in the medium term better reflects the operating leverage we expect to realise from increased investment in the business in 2019 and the industry outlook for private markets more generally. The results of our valuation indicate that no impairment charge is deemed necessary at 31 December 2019 (2018: nil), however, as below if future results differ to the forecast it is reasonably foreseeable that impairment could arise.

The valuation at 31 December 2019 is around \$17 million lower than the value in use calculation at 31 December 2018, primarily as a result of slower than forecast growth and increased investment expenditure in the business, partially offset by \$3 million of amortisation of acquired intangibles during the year.

Sensitivity analysis:	Compound average annualised growth in FUM			Discount rates (post-tax)		Multiples (post-tax)	
				Management fee/performance fee		Management fee/performance fee	
Key assumption stressed to:	28%	26%	18% <sup>1</sup>	14%/20%	16%/22%	17.8x/6.5x	15.8x/4.5x
Modelled headroom/(impairment) (\$m)	3	(8)	(44)	5 <sup>2</sup>	1 <sup>2</sup>	7 <sup>3</sup>	(1) <sup>3</sup>

Notes:

- 1 Stressed by 10% to indicate a possible downside scenario.
- 2 An increase/decrease in the value in use calculation of \$2 million.
- 3 An increase/decrease in the value in use calculation of \$4 million.

## 11. Other intangibles

\$m	Year ended 31 December 2019	Year ended 31 December 2018
Net book value at beginning of the year	26	23
Additions	17	16
Disposals	–	(3)
Amortisation	(12)	(10)
<b>Net book value at year end</b>	<b>31</b>	<b>26</b>

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 Man's operating platforms.

## 126 Notes to the Group financial statements continued

## 12. Cash, liquidity and borrowings

\$m	31 December 2019			31 December 2018		
	Total	Less than 1 year	Greater than 1 year	Total	Less than 1 year	Greater than 1 year
Cash and cash equivalents <sup>1</sup>	220	220	–	344	344	–
Undrawn committed revolving credit facility	500	–	500	500	–	500
Total liquidity	720	220	500	844	344	500
Borrowings: 2024 fixed rate reset callable guaranteed subordinated notes	–	–	–	150	–	150

Note:

1 Excludes \$61 million (2018: \$26 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 a fixed coupon of 5.875% until 15 September 2019. Man elected to exercise the option to redeem the notes on 16 September 2019 given the increased financing flexibility resulting from the Group's corporate reorganisation in May 2019.

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts and at 31 December 2019 includes cash at bank of \$186 million (2018: \$175 million) and short-term deposits of \$34 million (2018: \$169 million). The carrying amount of these assets is approximately equal to their fair value. Cash ring-fenced for regulated entities totalled \$34 million at year end (2018: \$36 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 and short-term bank deposits, and at times invested in short-term US Treasury bills. At 31 December 2019, the \$220 million cash balance (excluding cash held by consolidated fund entities per Note 13.2) is held with 19 banks (2018: \$344 million with 19 banks). The single largest counterparty bank exposure of \$106 million is held with an A+ rated bank (2018: \$91 million with an A+ rated bank). At 31 December 2019, balances with banks in the AA ratings band aggregate to \$27 million (2018: \$85 million) and balances with banks in the A ratings band aggregate to \$192 million (2018: \$259 million).

As a result of the Group's corporate reorganisation in May 2019, the committed revolving credit facility was renegotiated and the facility reduced in size from \$500 million to \$478 million. This was then refinanced in December 2019 and replaced with a new committed revolving credit facility of \$500 million, which was undrawn at 31 December 2019 (undrawn at 31 December 2018). The facility was put in place as a five-year facility and includes 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. The facility is currently scheduled to mature in December 2024 and incorporates an ESG target-linked interest rate component. To maintain maximum flexibility, the facility does not include financial covenants.

#### Intra-day and overnight credit facilities

Man guarantees the obligations under a \$100 million intra-day (2018: \$100 million) and \$25 million overnight credit facilities (2018: \$25 million), used to settle the majority of the Group's banking arrangements. As at 31 December 2019, the exposure under the intra-day facility is nil (2018: nil) and the overnight facility exposure is nil (2018: nil). The fair value of these commitments has been determined to be nil (2018: nil).

#### 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/incure interest indexed to floating rates, as at 31 December 2019 a 50 basis points increase/decrease in these rates, with all other variables held constant, would have resulted in a \$1 million increase/decrease (2018: \$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 \$26 million (2018: \$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. The increase in the year is primarily due to the unhedged GBP lease liability arising on the application of IFRS 16, as detailed in Note 19.

In certain circumstances, the Group uses derivative financial instruments, specifically forward foreign exchange contracts, 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. Up to 31 December 2019, the Group's risk management objective was to determine a foreign exchange rate at which future foreign currency costs are ultimately realised one year in advance, thereby providing increased certainty around the future USD costs recognised in the Group income statement. Effective unrealised gains or losses on these instruments were recognised within the cash flow hedge reserve in equity and, when realised, these were 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). From 1 January 2020, Man changed its policy such that fixed foreign currency denominated costs are no longer hedged.

Foreign currency derivative assets and liabilities are included within derivative financial instruments in fee and other receivables (Note 14) and trade and other payables (Note 15) respectively. Fair value gains and losses on cash flow hedges, and gains and losses realised on maturing cash flow hedges which have been reclassified from the cash flow hedge reserve into profit or loss, are separately shown in the Group statement of comprehensive income.



### 13. Investments in fund products and other investments

\$m	31 December 2019				
	Financial assets at fair value through profit or loss	Loans and receivables	Investments in fund products and other investments	Net non-current assets held for sale	Total investments
Loans to fund products	–	4	4	–	4
Investments in fund products	349	–	349	–	349
Other investments	3	–	3	–	3
Investments in line-by-line consolidated funds	420	–	420	–	420
	<b>772</b>	<b>4</b>	<b>776</b>	<b>–</b>	<b>776</b>

\$m	31 December 2018				
	Financial assets at fair value through profit or loss	Loans and receivables	Investments in fund products and other investments	Net non-current assets held for sale	Total investments
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
	<b>761</b>	<b>9</b>	<b>770</b>	<b>39</b>	<b>809</b>

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 2019	31 December 2018
Investments in fund products	13.1	349	401
Less fund investments for deferred compensation arrangements	13.1	(98)	(87)
Consolidated net investments in funds – held for sale	13.2	–	39
Consolidated net investments in funds – consolidated line-by-line	13.2	259	300
Loans to funds	13.3	4	9
Seeding investments portfolio		<b>514</b>	662

#### 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. Seed capital is invested via direct holdings in fund products or sale and repurchase (repo) arrangements (which allow us to finance seed investments without consuming high levels of cash). Alternatively Man may obtain exposure to seed investments via total return swap (TRS) arrangements. Exposures to fund products via TRS and repo arrangements were \$62 million and \$36 million respectively at 31 December 2019 (2018: nil and nil). Under a repo arrangement, Man is committed to repurchase the underlying seed investments at maturity and pays an interest charge over the period, with the obligation to repurchase the assets on maturity recorded as a liability within trade and other payables (Note 15). Under a TRS arrangement, Man is under no form of repayment obligation and has no ownership interest (or voting rights) in the underlying investment. In exchange for the returns on the underlying seed investments, Man pays the banks a floating rate of interest.

Regardless of whether Man is exposed to a fund product's returns by way of a direct investment, repo or TRS, the control considerations are the same. Where Man is deemed not to control the fund, the fund is classified within investments in fund products. Investments in fund products are classified at fair value through profit or loss, with net gains due to movements in fair value of \$33 million for the year ended 31 December 2019 (2018: \$11 million loss) recognised through income or gains/(losses) 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 26.

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 \$66 million (2018: \$105 million). The market risk from seeding investments, including those financed via repo and TRS arrangements, 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 \$22 million at 31 December 2019 (2018: \$25 million).

#### Fund investments for deferred compensation arrangements

At 31 December 2019, investments in fund products included \$98 million (2018: \$87 million) of fund products related to deferred compensation arrangements (as detailed in Note 20). 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 gains/(losses) on investments and other financial instruments in the Group income statement.

128 **Notes to the Group financial statements** continued**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 control considerations under IFRS 10 also apply to the fund products underlying the Group's TRS and repo instruments and therefore the Group may similarly be required to consolidate them. The fund is consolidated into the Group's results from the date control commences until it ceases. In 2019, 15 (2018: 13) investments in funds have met the control criteria and have therefore been consolidated (Note 29), either consolidated on a line-by-line basis or classified as held for sale as detailed below.

**Line-by-line consolidation**

The investments relating to the 15 (2018: ten) funds which are consolidated on a line-by-line basis are included within the Group balance sheet and income statement as follows:

\$m	31 December 2019	31 December 2018
<b>Balance sheet</b>		
Cash and cash equivalents	61	26
Transferable securities <sup>1</sup>	420	357
Fees and other receivables	2	21
Trade and other payables	(11)	(4)
Net assets of line-by-line consolidated fund entities	472	400
Third-party interest in consolidated funds	(213)	(100)
Net investment held by Man	259	300
<b>Income statement</b>		
Net gains/(losses) on investments <sup>2</sup>	63	(18)
Management fee expenses <sup>3</sup>	(3)	(2)
Performance fee expenses <sup>3</sup>	–	(1)
Other costs	(3)	(2)
Net gains/(losses) of line-by-line consolidated fund entities	57	(23)
Third-party share of (gains)/losses relating to interests in consolidated funds	(18)	7
Gains/(losses) attributable to net investment held by Man	39	(16)

## Notes:

- 1 Included within investments in fund products and other investments.
- 2 Included within income or gains/(losses) on investments and other financial instruments.
- 3 Relate to management and performance fees paid by the funds to Man during the year, which are eliminated within gross management and other fees and performance fees, respectively, in the Group income statement.

**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 2019	31 December 2018
Non-current assets held for sale	–	39
Non-current liabilities held for sale	–	–
Investments in fund products held for sale	–	39

At 31 December 2019, no consolidated fund investments met the held for sale criteria. Two investments in funds which were classified as held for sale at 31 December 2018 have been consolidated on a line-by-line basis at 31 December 2019 (2018: three held for sale funds at 31 December 2017).

### 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 these products. The loans are repayable on demand and are carried at amortised cost using the effective interest rate method.

#### 13.4 Structured entities

Man has evaluated all exposures and concluded that where Man holds an investment, fee receivable, accrued income, loan 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 collateralised loan obligations, the indentures.

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 \$639 million for the year ended 31 December 2019 (2018: \$574 million). Man's interest in and exposure to unconsolidated structured entities is as follows:

	Total FUM (\$bn)	Less infrastructure mandates and consolidated fund entities <sup>1</sup> (\$bn)	Total FUM unconsolidated structured entities (\$bn)	Number of funds	Net management fee margin <sup>2</sup> (%)	Fair value of investment held (\$m)	Fee receivables and accrued income (\$m)	Loans to funds (\$m)	Maximum exposure to loss (\$m)
31 December 2019									
<b>Alternative</b>									
Absolute return	30.5	–	30.5	107	1.20	91	205	–	296
Total return	27.0	–	27.0	60	0.56	190	28	–	218
Multi-manager solutions	14.0	6.9	7.1	73	0.31	2	6	–	8
<b>Long-only</b>									
Systematic	27.5	0.2	27.3	107	0.35	5	33	–	38
Discretionary	18.7	0.2	18.5	45	0.67	56	19	–	75
<b>Guaranteed</b>	–	–	–	4	5.96	–	–	4	4
<b>Total</b>	<b>117.7</b>	<b>7.3</b>	<b>110.4</b>	<b>396</b>		<b>344</b>	<b>291</b>	<b>4</b>	<b>639</b>
31 December 2018									
<b>Alternative</b>									
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
<b>Long-only</b>									
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
<b>Guaranteed</b>	0.1	–	0.1	7	5.52	–	1	9	10
<b>Total</b>	<b>108.5</b>	<b>5.6</b>	<b>102.9</b>	<b>453</b>		<b>389</b>	<b>176</b>	<b>9</b>	<b>574</b>

Notes:

- 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 structured entities.
- Net management fee margins are the categorical weighted average (see page 29). 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%.

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 Risk management on pages 37 to 39.

## 130 Notes to the Group financial statements continued

**14. Fee and other receivables**

\$m	31 December 2019	31 December 2018
Fee receivables	27	36
Accrued income	266	144
Prepayments	15	13
Derivative financial instruments	4	16
Other receivables	114	98
	<b>426</b>	<b>307</b>

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, there is no impairment at 31 December 2019 (2018: nil). The increase in accrued income in 2019 relates to the increase in performance fee income, which crystallised at 31 December 2019. Performance fees receivable at year end are \$169 million (2018: \$43 million).

Details of derivatives used to hedge cash flow foreign exchange risk are included in Note 12. Other 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 A (2018: BBB+) or higher and mature within one year. During the year, there were \$10 million net realised and unrealised gains arising from foreign exchange hedges (2018: \$3 million gains), and the notional value of foreign exchange derivative financial assets held at 31 December 2019 is \$61 million (2018: \$84 million). The notional value of market risk derivative financial assets held at 31 December 2019 is \$65 million (2018: \$220 million).

Other receivables principally include balances relating to the Open Ended Investment Collective (OEIC) funds business of \$29 million (2018: \$37 million), collateral posted with derivative counterparties of \$24 million (2018: \$1 million) and sub-lease rental income receivable of \$15 million (presented net of operating lease rentals payable within trade and other payables in 2018 in accordance with IAS 17 as detailed in Note 1). 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. The unsettled fund payable is recorded in trade and other payables (Note 15). The amount of collateral posted with derivative counterparties is a function of the unrealised gains or losses on the open derivatives at any point in time. At 31 December 2019, nil (2018: \$7 million) of other receivables are expected to be settled after 12 months.

**15. Trade and other payables**

\$m	31 December 2019	31 December 2018
Accruals	338	302
Trade payables	4	2
Contingent consideration	24	212
Derivative financial instruments	13	15
Payables under repo arrangements	36	–
Other payables	144	170
	<b>559</b>	<b>701</b>

Accruals primarily relate to compensation accruals. Contingent consideration relates to the amounts payable in respect of acquisitions (Note 26).

Details of derivatives used to hedge cash flow foreign exchange risk are included in Note 12. The notional value of other foreign exchange derivative financial liabilities at 31 December 2019 is \$335 million (2018: \$508 million). During the year, there were \$47 million net realised and unrealised losses arising from our market risk hedges (2018: \$22 million gains), and the notional value of market risk derivative financial liabilities is \$245 million (2018: \$82 million). All derivative contracts mature within one year.

Payables under repo arrangements relate to obligations to repurchase fund products as detailed in Note 13.1.

Other payables include the remaining \$71 million liability relating to the share repurchase announced in October 2019 (2018: \$63 million relating to the share repurchase announced in 2018), as detailed in Note 21, and payables relating to the OEIC funds business of \$28 million (2018: \$35 million).

Trade and other payables are initially recorded at fair value and subsequently measured at amortised cost, except for contingent consideration payables, which are measured at fair value (Note 26). Included in trade and other payables at 31 December 2019 are balances of \$23 million (2018: \$40 million) which are expected to be settled after more than 12 months, which largely relate to contingent consideration. Man's policy is to meet its contractual commitments and pay suppliers according to agreed terms.

## 16. Provisions

\$m	Onerous property lease contracts and dilapidations	Other	Total
At 1 January 2019	22	4	26
Adjustment for adoption of IFRS 16 (Note 1)	(19)	–	(19)
At 1 January 2019	3	4	7
Charged to the income statement	–	1	1
<b>At 31 December 2019</b>	<b>3</b>	<b>5</b>	<b>8</b>

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 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.

Onerous property lease provisions are no longer separately recognised under IFRS 16. See Note 1 for further details.

## 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 November 2018, the Group sold its investment in Nephila, recognising a gain on sale of \$113 million, with an additional gain of \$1 million in 2019 on finalisation of the closing position.

\$m	Year ended 31 December 2018 Nephila Holdings Ltd
At beginning of the year	29
Share of post-tax profit	7
Dividends received	(8)
Sale of investment in associate	(28)
<b>At year end</b>	<b>–</b>

## 18. Leasehold improvements and equipment

\$m	Year ended 31 December 2019			Year ended 31 December 2018		
	Leasehold improvements	Equipment	Total	Leasehold improvements	Equipment	Total
Net book value at beginning of the year	29	17	46	28	16	44
Additions	–	9	9	8	9	17
Disposals	–	–	–	–	(1)	(1)
Depreciation expense	(6)	(9)	(15)	(7)	(7)	(14)
<b>Net book value at year end</b>	<b>23</b>	<b>17</b>	<b>40</b>	29	17	46

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.

132 **Notes to the Group financial statements** continued**19. Leases****19.1 The Group as lessee**

Man's lease arrangements relate to business premises property leases.

Man assesses whether a contract is or contains a lease at the inception of the contract. ROU lease assets are recorded at cost less depreciation and impairment. Cost includes the amount of the initial measurement of the associated lease liability, lease payments made at or before the lease commencement date, lease incentives received, and estimated costs to be incurred in restoring the property to the condition required under the terms of the lease. Depreciation is calculated on a straight-line basis over the lease term and included within other costs (Note 5).

In accordance with IFRS 16, cash payments of \$34 million in relation to leases, which are recognised on the Group's balance sheet, are presented as unwind of lease liability discount of \$14 million (within operating activities) and repayments of principal lease liability of \$20 million (within financing activities) in the Group cash flow statement. Payments in relation to short-term leases and leases of low-value assets are included within operating activities. The remainder of the movement in the lease liability relates to non-cash movements.

The lease term is determined as the non-cancellable period of a lease, together with periods covered by an option to extend the lease if the Group considers that exercise of the option is reasonably certain. All lease liabilities are discounted using the interest rate implicit in the lease. If this rate cannot be determined, the Group's incremental cost of borrowing on the lease commencement or modification date is used to discount the lease liability. For those leases which existed prior to the IFRS 16 transition date on 1 January 2019, a discount rate of 5% was used in calculating the lease liability on transition. The unwind of lease liability discount is included within finance expense (Note 6).

**Right-of-use lease assets**

	Year ended 31 December 2019
	Total
\$m	
Net book value on transition at 1 January 2019 (Note 1)	228
Additions	1
Depreciation expense (Note 5)	(20)
<b>Net book value at year end</b>	<b>209</b>

**Lease liability**

The maturity of the Group's lease liability of \$307 million at 31 December 2019, according to the termination date of the lease, is as follows:

	31 December 2019			Total
	Within 1 year	1-5 years	After 5 years	
\$m				
Lease liability	1	16	290	307

Included within liabilities associated with leases terminating after more than five years is \$257 million relating to our Riverbank House premises in London. The revaluation of our GBP lease liabilities into US dollars (the Group's functional and presentation currency) may result in large unrealised gains or losses in the Group income statement, and therefore these non-cash movements have been classified as an adjusting item (see page 149).

The Group's operating lease commitments at 31 December 2018, including non-cancellable sub-lease arrangements, in accordance with IAS 17, were as follows:

	31 December 2018			Total
	Within 1 year	1-5 years	After 5 years	
\$m				
Operating lease commitments under IAS 17	18	64	275	357
Offsetting non-cancellable sublease arrangements (included net above)	17	57	11	85

The prior year operating lease commitments under IAS 17 primarily include the agreements for lease contracts for our Riverbank House premises in London (expiring in 2035) and our New York office (expiring in 2022), which aggregated to \$304 million.

**19.2 The Group as lessor**

Man also acts as lessor in respect of certain sub-leased business premises arrangements, which are classified as operating leases under IFRS 16. Sub-lease rental income was \$14 million in 2019. As a result of the adoption of IFRS 16 in 2019 (as outlined in Note 1), comparatives for 2018 whereby this was included net within other costs have not been restated. Rental income from operating leases is recognised on a straight-line basis over the lease term.

At 31 December 2019, the undiscounted operating lease payments receivable on an annual basis are as follows:

	31 December 2019						Total
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	
\$m							
Operating lease payments receivable	16	16	14	14	16	117	193

## 20. 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, \$78 million (2018: \$66 million) relating to share-based payments and deferred fund product plans is included within compensation costs (Note 4), consisting of share-based payments of \$28 million (2018: \$25 million) and deferred fund product plans of \$50 million (2018: \$41 million). The unamortised deferred compensation at year end is \$50 million (2018: \$64 million) and has a weighted average remaining vesting period of 1.6 years (2018: 2.0 years).

### 20.1 Employee Trust

The Employee Trust has the obligation to deliver share and fund product based payments which have been granted to employees. Man contributed funds of \$34 million in 2019 (2018: \$42 million) in order for the Employee 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 2019, the net assets of the Employee Trust amounted to \$106 million (2018: \$99 million). These assets include 28,627,805 (2018: 25,154,953) ordinary shares in the Company, \$10 million notional value options over Man shares (2018: \$10 million), and \$39 million of fund units (2018: \$36 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 2019 on each of the 28,206,246 ordinary shares registered in its name at the relevant date for eligibility for the interim dividend (2018 interim dividend: waived on all 24,431,128 shares) and all of the final dividend for the year ended 31 December 2018 on each of 27,561,827 of the ordinary shares (2017 final dividend: waived on all 23,224,517 shares).

### 20.2 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.

#### 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:

	10/9/2019	11/9/2018
Grant date		
Weighted average share price at grant date (\$)¹	2.1	2.2
Weighted average exercise price at grant date (\$)²	1.6	1.8
Share options granted in the period	2,653,200	1,401,989
Vesting period (years)	3–5	3–5
Expected share price volatility (%)	30	45
Dividend yield (%)	6	6
Risk-free rate (%)	0.4	0.9
Expected option life (years)	3.4	3.2
Number of options assumed to vest	2,025,055	1,067,819
Average fair value per option granted (\$)	0.4	0.6

Notes:

1 Sterling share price each year of £1.59 and £1.69, respectively.

2 Sterling exercise price each year of £1.27 and £1.37, respectively.

The expected share price volatility is based on historical volatility over the past five 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.

## 134 Notes to the Group financial statements continued

**20. Deferred compensation arrangements** continued**20.2 Share-based payments** continued

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

	Year ended 31 December 2019		Year ended 31 December 2018	
	Number	Weighted average exercise price <sup>1</sup> (\$ per share)	Number	Weighted average exercise price <sup>1</sup> (\$ per share)
Share options outstanding at beginning of the year	44,490,388	3.6	44,458,781	3.5
Granted	2,653,200	1.7	1,401,989	1.7
Forfeited	(1,170,912)	2.4	(941,436)	1.4
Expired	–	–	(30,000)	1.1
Exercised	(2,218,500)	1.2	(398,946)	1.5
Share options outstanding at year end	43,754,176	3.6	44,490,388	3.5
Share options exercisable at year end	38,067,463	4.0	38,885,437	3.8

Note:

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:

Range of exercise prices (\$ per share)	31 December 2019			31 December 2018		
	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	5,454,279	1.7	2.6	5,700,762	1.4	2.2
3.01–5.00	38,299,897	3.9	1.0	38,789,626	3.8	2.0
	43,754,176	3.7	1.2	44,490,388	3.5	2.0

**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

	1/3/2019 – 23/12/2019	1/3/2018 – 23/10/2018
Grant dates	1/3/2019 – 23/12/2019	1/3/2018 – 23/10/2018
Share awards granted in the year	10,668,972	12,325,515
Weighted average fair value per share award granted (\$)	1.8	2.4

## Executive directors long-term incentive plans

	Long-Term Incentive Plan	Deferred Executive Incentive Plan
Grant dates	12/3/2019	12/3/2018
Share awards granted in the year	4,892,392	2,009,891
Weighted average fair value per share award granted (\$)	1.8	2.4

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

	Year ended 31 December 2019	Year ended 31 December 2018
	Number	Number
Share awards outstanding at beginning of the year	34,188,523	28,637,911
Granted	15,561,364	14,335,406
Forfeited	(6,060,404)	(1,262,014)
Exercised	(8,089,213)	(7,522,780)
Share awards outstanding at year end	35,600,270	34,188,523
Share awards exercisable at year end	6,915	107,999



## 21. Capital management

Details of the Group's capital management and dividend policy are provided within the Chief Financial Officer's Review on page 33.

### 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 20) 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.

As set out in Note 1, the Group adjusted its corporate structure in May 2019. The scheme of arrangement had no impact on the Group's aggregate share capital and capital reserves, with a new reorganisation reserve created following the reversal of the existing share premium account, capital redemption reserve, merger reserve and reorganisation reserve balances. The share premium arising on the issue of shares by Man Group plc was subsequently cancelled by way of a capital reduction, with an equivalent increase recognised in the profit and loss account in reserves.

### Ordinary shares

Ordinary shares have a par value of 3<sup>3/7</sup> US cents per share (2018: 3<sup>3/7</sup> US cents per share) and represent 100% 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.

As part of the corporate reorganisation in May 2019 (as further detailed in Note 1), ordinary shares in the Group's former holding company were cancelled and the same number of new ordinary shares were issued to the new holding company in consideration for the allotment to shareholders of one ordinary share of 3<sup>3/7</sup> US cents in the new holding company for each ordinary share of 3<sup>3/7</sup> US cents they held in the former holding company.

During the year ended 31 December 2019, \$92 million (2018: \$211 million) of shares were repurchased at an average price of 149.1 pence (2018: 169.5 pence), buying back 48.0 million shares (2018: 93.5 million shares), which had an accretive impact on EPS (Note 8) of 1.6% (2018: 2.8%). This relates to the completion of the remaining \$63 million of the share repurchase announced in October 2018, and the partial completion of \$29 million of the anticipated \$100 million share repurchase announced in October 2019. As at 27 February 2020, Man Group had an unexpired authority to repurchase up to 121,658,078 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 151,244,149 of its ordinary shares, representing 10% of the issued share capital at 27 February 2020.

### Deferred sterling shares

50,000 unlisted deferred sterling shares with a par value of £1 per share (representing 0.1% of the former Group holding company's issued share capital prior to the corporate reorganisation in May 2019) were necessary for the former holding company to continue to comply with Section 763 of the UK Companies Act 2006. Following the corporate reorganisation, which created a new Jersey parent holding company, the deferred shares were cancelled.

### Issued and fully paid share capital

	Year ended 31 December 2019			Year ended 31 December 2018		
	Ordinary shares Number	Unlisted deferred sterling shares Number	Nominal value \$m	Ordinary shares Number	Unlisted deferred sterling shares Number	Nominal value \$m
<b>At 1 January</b>	<b>1,610,142,313</b>	<b>50,000</b>	<b>55</b>	1,643,593,289	50,000	56
Purchase and cancellation of own shares	(68,347,543)	–	(2)	(35,892,738)	–	(1)
Scheme of arrangement (Note 1):						
– Cancellation of shares in former holding company	(1,541,794,770)	(50,000)	(53)	–	–	–
– Issue of shares in new holding company	1,541,794,770	–	53	–	–	–
Issue of ordinary shares: Partnership Plans and Sharesave	–	–	–	2,441,762	–	–
<b>At 31 December</b>	<b>1,541,794,770</b>	<b>–</b>	<b>53</b>	1,610,142,313	50,000	55

136 **Notes to the Group financial statements** continued**22. Pension**

Man operates 12 (2018: 12) defined contribution plans and two (2018: 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 \$12 million for the year to 31 December 2019 (2018: \$9 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 2019, the UK Plan comprised 94% (31 December 2018: 94%) 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.

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 UK Plan. Future benefits are provided via a defined contribution plan.

No cash contributions were made to the UK Plan in the year to 31 December 2019. The next actuarial valuation has an effective date of 31 December 2020. As part of this valuation, a new recovery plan may be agreed. In 2018, the UK Plan's Reservoir Trust (which was wound up in 2018) returned \$19 million of assets to the Group.

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.

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.

Previously, the Swiss Plan held some of its assets in an employer contribution reserve, which was used to pay contributions into the Swiss Plan. The measured Swiss Plan surplus of \$1 million has been derecognised as it is restricted to the value of this employer contribution reserve, which was fully utilised at 31 December 2019.

The amounts recognised in the Group balance sheet are determined as follows:

\$m	31 December 2019	31 December 2018
Present value of funded obligations	<b>(422)</b>	(376)
Fair value of plan assets	<b>439</b>	400
Surplus	<b>17</b>	24
Amount not recognised due to asset ceiling	<b>(1)</b>	–
Net pension asset	<b>16</b>	24

The decrease in the net pension asset from 31 December 2018 to 31 December 2019 is driven by the UK Plan, largely as a result of a decrease in the discount rate assumption, partially offset by assets performing above the liability growth rate (discount rate).

## 22. Pension continued

### Pensions: actuarial information

Changes in the present value of the defined benefit obligations are as follows:

\$m	Year ended 31 December 2019	Year ended 31 December 2018
Present value of funded obligations at beginning of the year	376	464
Currency translation difference	15	(22)
Current service cost (employer portion)	2	1
Interest cost	10	10
Employee contributions	1	1
Remeasurements due to:		
– changes in financial assumptions	46	(33)
– changes in demographic assumptions	(3)	(3)
– experience adjustments	1	(2)
Actual benefit payments	(24)	(29)
Past service credit	(2)	–
Curtailments and settlements	–	(11)
Present value of funded obligations at year end	422	376

Changes in the fair value of plan assets are as follows:

\$m	Year ended 31 December 2019	Year ended 31 December 2018
Fair value of plan assets at beginning of the year	400	499
Currency translation difference	16	(24)
Interest income on plan assets	11	10
Actual return on plan assets less interest on plan assets	35	(26)
Employer repayments on wind-up of Reservoir Trust	–	(19)
Employee contributions	1	1
Benefits paid	(24)	(29)
Assets distributed on curtailments and settlements	–	(12)
Fair value of plan assets at year end	439	400

The plan assets primarily relate to investments in bonds, liability-driven investments (LDIs) and diversified growth funds.

The change in the net pension asset recognised on the Group balance sheet is as follows:

\$m	Year ended 31 December 2019	Year ended 31 December 2018
Net pension asset at start of the year	24	32
Total pension credit/(expense)	1	(2)
Amount recognised outside profit and loss	(10)	15
Employer repayments on wind-up of Reservoir Trust	–	(19)
Currency translation difference	1	(2)
Net pension asset at end of the year	16	24

The amounts recognised in the Group income statement are as follows:

\$m	Year ended 31 December 2019	Year ended 31 December 2018
Current service cost (employer portion)	2	1
Interest on net pension asset	(1)	–
Past service credit	(2)	–
Gains on settlement/curtailment/transfers	–	1
Total (credit)/expense	(1)	2

The \$2 million past service credit relates to changes in the conversion factors of the Swiss Plan.

The \$1 million allowance for the estimated costs of removing Guaranteed Minimum Pension inequalities in the UK Plan as at 31 December 2019 is unchanged from 31 December 2018.

## 138 Notes to the Group financial statements continued

**22. Pension** continued

The amounts recognised in other comprehensive income are as follows:

\$m	Year ended 31 December 2019	Year ended 31 December 2018
Net actuarial (losses)/gains in the year due to:		
– changes in financial assumptions	(46)	33
– changes in demographic assumptions	3	3
– experience adjustments on benefit obligations	(1)	2
Actual return on plan assets less interest on plan assets	35	(26)
Adjustment to recognise the effect of the asset ceiling	(1)	3
Amount recognised in other comprehensive income	(10)	15

The most significant actuarial assumptions used in the valuations of the two plans are:

	UK Plan		Swiss Plan	
	31 December 2019 % p.a.	31 December 2018 % p.a.	31 December 2019 % p.a.	31 December 2018 % p.a.
Discount rate	2.1	2.9	0.4	1.0
Price inflation	3.1	3.3	1.2	1.2
Future salary increases	3.1	3.3	1.2	1.2
Interest crediting rate	–	–	0.4	1.0
Social security increases	–	–	1.0	1.0
Pension in payment increases	3.6	3.7	–	–
Deferred pensions increases	5.0	5.0	–	–

At 31 December 2019, 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 p.a. at 31 December 2018 ("high earners") and S2NA tables for all other members (2018: same as at 31 December 2019).

These mortality tables are assumed to be projected by year of birth with allowance for future improvements in longevity in line with the 2018 CMI projections with a long-term rate of improvement of 1.25% p.a. and an initial improvements parameter of 0.5% p.a. for high earners and 0.25% p.a. for all other members (2018: in line with the 2017 CMI projections with a long term rate of improvement of 1.25% p.a.).

At 31 December 2019 mortality rates in the Swiss Plan are assumed to be in line with the Swiss BVG 2015 generational tables (2018: same as at 31 December 2019).

Illustrative life expectancies are set out in the table below (the UK Plan life expectancies are based on the S2NA tables).

Years	UK Plan		Swiss Plan	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Life expectancy of male aged 60 at year end	26.6	26.8	27.4	27.3
Life expectancy of male aged 60 in 20 years	28.2	28.4	29.3	29.2
Life expectancy of female aged 60 at year end	28.8	29.0	29.7	29.6
Life expectancy of female aged 60 in 20 years	30.3	30.5	31.4	31.4

The table below illustrates the impact on the assessed value of the benefit obligations from changing the most sensitive 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 2019:

\$m	UK Plan	Swiss Plan
	Increase in obligation	
Discount rate decreased by 0.1% p.a.	7	–
Inflation rate increased by 0.1% p.a.	2	–
One year increase in assumed life expectancy	16	–

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 18 years.

## 22. Pension continued

The assets held by the two plans as at 31 December 2019 are as follows:

	UK Plan		Swiss Plan	
	\$m	%	\$m	%
Swiss equities	–	–	3	12%
Non-Swiss equities	–	–	7	27%
Index-linked government bonds	41	10%	–	–
Absolute return bonds	119	29%	–	–
Swiss bonds	–	–	4	15%
Non-Swiss bonds	–	–	6	23%
Property	–	–	4	15%
Hedge funds	–	–	1	4%
LDI	110	27%	–	–
Diversified growth funds	61	15%	–	–
Man Alternative Risk Premia fund	56	13%	–	–
Cash	26	6%	1	4%
<b>Total assets</b>	<b>413</b>	<b>100%</b>	<b>26</b>	<b>100%</b>

The UK investment strategy is set by the trustees of the UK Plan. 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 2019, around 25% of the UK Plan assets relate to those with quoted prices and 75% with unquoted prices (2018: around 25% quoted and 75% unquoted). The UK Plan does not invest directly in property occupied by Man or in Man’s own transferable financial securities. Part of the investment objective of the UK Plan is to minimise fluctuations in the UK Plan’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 repurchase agreements) and derivatives such as interest rate and inflation swaps. There are no annuities or longevity swaps. These instruments are typically priced and collateralised daily by the UK Plan’s LDI manager and/or central clearing houses. Given that the purpose of LDI is to hedge corresponding liability exposures, the main risk is that the investments held move differently to the liability exposures. This risk is managed by the trustees, their advisers and the UK Plan’s LDI manager, who regularly assess the position.

As the Swiss Plan is essentially a defined contribution plan with guarantees, the assets held aim to be at least as much as the total of the member account balances at any point in time. Member account balances cannot reduce, but interest is only applied to the account balances when sufficient surplus assets are available. As such, there is no specific asset/liability matching strategy in place, but if the liabilities (the sum of the member account balances) ever exceed the value of the assets, the Group will consider how to remove a deficit as quickly as possible.

## 23. 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 Governance Committee to make decisions about resources to be allocated to the segment and to assess its performance. Management information regarding revenues, net management fee margins and investment performance relevant to the operation of the investment managers, products and the investor base are reviewed by the Board and the Senior Management Governance 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 Governance 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 and net margins, to allow for analysis of the direct contribution of products and the respective investor base.

140 **Notes to the Group financial statements** continued**24. Geographical disclosure**

\$m	Year ended 31 December 2019		Year ended 31 December 2018	
	Revenues by fund location	Non-current assets	Revenues by fund location	Non-current assets <sup>1</sup>
Cayman Islands	540	–	380	–
Ireland	180	–	202	–
United Kingdom and the Channel Islands	137	828	124	691
United States of America	115	262	107	275
Other countries	141	44	147	44
	<b>1,113</b>	<b>1,134</b>	960	1,010

Note:

1 As previously presented at 31 December 2018, the location of these assets was considered to be the domicile of the Group's acquiring subsidiary. A portion of goodwill and acquired intangibles have been reclassified in the 2018 comparatives, predominantly from the United States to the United Kingdom and the Channel Islands, in order to reflect the location of the individuals managing the assets as described below.

Disclosure of revenue by geographic location is based on the registered domicile of the fund entity paying Man fees. Revenue from one fund marginally exceeded 10% of total annual fee revenues, due to performance fees crystallising during the year. Excluding performance fees, revenues from no single fund exceeded 10% of revenues for the year.

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 right-of-use lease assets. For goodwill and other acquired intangible assets, we consider that the location of the intangibles is best reflected by the location of the individuals managing those assets.

**25. 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.

## 26. 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:

\$m	31 December 2019				31 December 2018			
	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	180	169	352	3	246	155	404
Investments in line-by-line consolidated funds (Note 13)	–	385	35	420	–	316	41	357
Derivative financial instruments (Note 14)	–	4	–	4	–	16	–	16
	3	569	204	776	3	578	196	777
Financial liabilities held at fair value:								
Derivative financial instruments (Note 15)	–	13	–	13	–	15	–	15
Contingent consideration (Note 15)	–	–	24	24	–	–	212	212
	–	13	24	37	–	15	212	227

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, 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 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 2019		Year ended 31 December 2018	
	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss
<b>Level 3 financial assets/(liabilities) held at fair value</b>				
At beginning of the year	196	(212)	112	(243)
Transferred into level 3	–	–	22	–
Purchases	27	–	88	(1)
(Charged)/credited to the income statement	(6)	19	(9)	3
Sales or settlements	(7)	169	(17)	29
Change in line-by-line consolidated funds held	(6)	–	–	–
<b>At year end</b>	<b>204</b>	<b>(24)</b>	<b>196</b>	<b>(212)</b>
<b>Total (losses)/gains for the year included in the Group statement of comprehensive income for assets/(liabilities) held at year end</b>	<b>(6)</b>	<b>19</b>	<b>(9)</b>	<b>3</b>

142 **Notes to the Group financial statements** continued**26. Fair value of financial assets/liabilities** continued

The financial liabilities in Level 3 relate to the contingent consideration payable.

\$m	Year ended 31 December 2019				Year ended 31 December 2018			
	Numeric	Aalto	Other	Total	Numeric	Aalto	Other	Total
<b>Contingent consideration payable</b>								
At beginning of the year	172	37	3	212	175	60	8	243
Purchases	–	–	–	–	–	–	1	1
Revaluation of contingent consideration	(22)	(20)	5	(37)	(17)	(10)	(4)	(31)
Unwind of contingent consideration discount (Note 6)	13	5	–	18	20	8	–	28
Sales or settlements	(161)	–	(8)	(169)	(6)	(21)	(2)	(29)
<b>At year end</b>	<b>2</b>	<b>22</b>	<b>–</b>	<b>24</b>	<b>172</b>	<b>37</b>	<b>3</b>	<b>212</b>

The revaluation of contingent consideration in the Group income statement is an adjustment to the fair value of expected acquisition earn-out payments.

The \$22 million decrease (2018: \$17 million) in the fair value of the Numeric contingent consideration is largely as a result of lower than expected Numeric performance during 2019 and refinements to forecasts. In September 2019, Man exercised the call option to purchase the 18.3% equity interest held by Numeric management in the Numeric business at five years post-closing. The amount paid under the call option totalled \$154 million, with other amounts paid in the year relating to annual dividends. The year end creditor of \$2 million relates to the remainder of the annual dividends payable in early 2020.

The Aalto contingent consideration is dependent on levels of run rate management fees measured following four, six and eight years from completion on 1 January 2017. The maximum aggregate amount payable by Man is capped at \$207 million. The \$20 million decrease (2018: \$10 million) in the fair value of the Aalto contingent creditor is due to slower than forecast growth.

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 rate applied for Aalto management fees is 15%.

The most significant inputs into the valuations at 31 December 2019 are as follows:

	Aalto
Weighted average net management fee margin (over the remaining earn-out period)	<b>0.6%</b>
Compound growth in average FUM (over the remaining earn-out period)	<b>20%</b>

Changes in inputs would result in the following increase/(decrease) in the fair value of the contingent consideration creditor at 31 December 2019, with a corresponding (expense)/gain in the Group income statement:

\$m	Aalto
Weighted average net management fee margin (over the remaining earn-out period)	
0.1% increase	<b>21</b>
0.1% decrease	<b>(22)</b>
Compound growth in average FUM (over the remaining earn-out period)	
5% increase	<b>15</b>
5% decrease	<b>(13)</b>



## 27. 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 Aalto management is outlined in Note 26.

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.

Key management compensation \$m	Year ended 31 December 2019	Year ended 31 December 2018
Salaries and other short-term employee benefits <sup>1</sup>	29	30
Share-based payments	13	12
Fund product based payment charge	9	8
Pension costs (defined contribution)	1	1
<b>Total</b>	<b>52</b>	<b>51</b>

Note:

1 Includes salary, benefits and cash bonus.

Man made a charitable donation of £2,500 to Greenhouse Sports Ltd during the year (2018: £25,500) and nil (2018: £7,200) was paid to VWA Search Ltd, a recruitment firm, which are considered related parties.

## 28. Other matters

In July 2019, the Public Institution for social security in Kuwait (PIFSS) served a claim against a number of parties, including certain Man Group companies, a former employee of Man Group and a former third party intermediary. The subject matter of these allegations dates back over a period of 20 years. PIFSS is seeking compensation of \$156 million (plus compound interest) and certain other remedies which are unquantified in the claim. Man Group disputes the allegations and considers there is no merit to the claim (in respect of liability and quantum). We will therefore vigorously and robustly defend the proceedings.

Man Group is subject to various other claims, assessments, regulatory enquiries and investigations in the normal course of its business. The directors do not expect such matters to have a material adverse effect on the financial position of the Group.

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**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 %
<b>Asset management</b>				
AHL Partners LLP <sup>1</sup>	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
Numeric Investors LLC	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
<b>Group services company</b>				
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
<b>Group treasury and holding company</b>				
Man Property Holdings Limited	22 Grenville Street, St Helier, Jersey, JE4 8PX	Indirect	Jersey	100
Man Investments Finance Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
<b>Group holding and other subsidiaries</b>				
Man Group plc	22 Grenville Street, St Helier, Jersey, JE4 8PX		Jersey	100
Man Group Treasury Limited	22 Grenville Street, St Helier, Jersey, JE4 8PX	Direct	Jersey	100
Man Group 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	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	PO Box 186, Royal Chambers, St. Julian's Avenue, St Peter Port, GY1 4HP, Guernsey	Indirect	Guernsey	100
FRM Investment Management (USA) LLC	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
FRM Thames Fund General Partner 1 Limited	89 Nexus Way, Camana Bay, P.O. BOX 31106, Grand Cayman, KY1-1205	Indirect	Cayman	100
GLG Capital Management LLC	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
GLG Holdings 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
Habitare Homes Limited	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

## 29. Group investments continued

## Subsidiaries continued

Group holding and other subsidiaries	Registered address	Direct or indirect	Country of incorporation	Effective Group interest %
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	PO Box 186, Royal Chambers, St. Julian's Avenue, St Peter Port, GY1 4HP, Guernsey	Indirect	Guernsey	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 <sup>1</sup>	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 Holdings Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
Man Group Japan Limited	PO Box 556, 1st Floor, Les Echelons Court, Les Echelons, South Esplanade, St Peter Port, GY1 6JB, Guernsey	Indirect	Guernsey	100
Man Group Services Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
Man Group UK 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 (CH) AG	Huobstrasse 3, 8808 Pfäffikon SZ	Indirect	Switzerland	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 Bund Centre, No. 222 Yan An East Road, 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 Strategic Holdings Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
Man UK Strategies Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
Man Valuation Services Limited	Riverbank House, 2 Swan Lane, London, EC4R 3AD	Indirect	UK	100
Man Worldwide Operations Management Limited	22 Grenville Street, St Helier, Jersey, JE4 8PX	Indirect	Jersey	100
Mount Garnet Limited	Wickhams Cay, PO Box 662, Road Town, Tortola	Indirect	BVI	100
Mount Granite Limited	Wickhams Cay, PO Box 662, Road Town, Tortola	Indirect	BVI	100
Numeric Holdings LLC	4001 Kennett Pike, Suite 302, Wilmington DE 19807	Indirect	US	100
Numeric Midco LLC	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
Man Financial Australia Pty Limited (in liquidation)	Level 27, Chifley Tower, 2 Chifley Square, Sydney, NSW 2000	Indirect	Australia	100

146 **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 %
Man Fund Management Limited (in liquidation)	70 Sir John Rogerson's Quay, Dublin 2	Indirect	Ireland	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

Note:

1 The financial year end is 31 March.

**Consolidated structured entities**

The following investment funds, which the Group is deemed to control, have been consolidated on a line-by-line basis (Note 13):

Strategy	Registered address	Country of incorporation/ principal place of operation	% of net asset value held
AHL Insight	C/O Citi Hedge Fund Services Ltd, Hemisphere House, Hamilton HM 11	Bermuda	100
Man GLG European Income Opportunities	70 Sir John Rogerson's Quay, Dublin 2	Ireland	24
Man GLG Global Emerging Markets Bond	70 Sir John Rogerson's Quay, Dublin 2	Ireland	61
Man GLG Iberian Opportunities Fund	70 Sir John Rogerson's Quay, Dublin 2	Ireland	58
Man GLG Select Opportunities	c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY 1-11-4	Cayman	71
Man GPM US Residential Real Estate Fund	Suite 400, Wilmington, New Castle County, Delaware 19808	US	100
Man Numeric China A Core	c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY 1-11-4	Cayman	100
Man Numeric European Equity	70 Sir John Rogerson's Quay, Dublin 2	Ireland	97
Man Numeric US High Yield Bond	c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY 1-11-4	Cayman	59
Man Numeric US Liquid Private Equity Alternative	c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY 1-11-4	Cayman	100
Man GLG High Yield Opportunities	Riverbank House, 2 Swan Lane, London, EC4R 3AD	UK	47
Man GLG Global Credit Multi Strategy Alternative	70 Sir John Rogerson's Quay, Dublin 2	Ireland	100
Man GLG RI Global Sustainable Growth	70 Sir John Rogerson's Quay, Dublin 2	Ireland	100
Man GLG Global Debt Total Return	70 Sir John Rogerson's Quay, Dublin 2	Ireland	100
Man GLG US Absolute Alpha	70 Sir John Rogerson's Quay, Dublin 2	Ireland	100

## Five year record

## Unaudited

\$m	Year to 31 December 2019	Year to 31 December 2018	Year to 31 December 2017	Year to 31 December 2016	Year to 31 December 2015
<b>Income statement</b>					
Gross management and other fees	788	834	781	746	833
Performance fees	325	126	287	81	302
Profit before adjusting items	386	251	384	205	400
Adjusting items <sup>1</sup>	(79)	27	(112)	(477)	(216)
<b>Pre-tax profit/(loss)</b>	<b>307</b>	278	272	(272)	184
Tax (expense)/credit	(22)	(5)	(17)	6	(13)
Profit/(loss) for the year	285	273	255	(266)	171
Adjusted management fee profit before tax	172	217	203	178	194
Adjusted performance fee profit before tax	214	34	181	27	206
Earnings per share (diluted) (cents)	18.4	17.0	15.3	(15.8)	10.0
<b>Balance sheet</b>					
Net cash	281	220	229	277	458
Net assets	1,624	1,593	1,716	1,674	2,215
<b>Other statistics</b>					
Cash flow from operating activities (before working capital movements) (\$m)	385	311	431	245	402
Ordinary dividends per share (cents)	9.8	11.8	10.8	9.0	10.2
Funds under management (\$bn)	117.7	108.5	109.1	80.9	78.7
Average headcount <sup>2</sup>	1,413	1,376	1,313	1,250	1,183
GBP/USD exchange rates					
Average	0.7830	0.7489	0.7759	0.7384	0.6544
Year end	0.7544	0.7837	0.7396	0.8093	0.6786

## Notes:

1 Statutory profit/(loss) before tax is adjusted to give a fuller understanding of the underlying profitability of the business. See pages 148-151 for details of the Group's alternative performance measures.

2 The average headcount includes directors, employees, partners and contractors.

## 148 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 also 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 28). 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 28.

#### **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 28.

#### **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 performance versus benchmark**

The asset weighted performance 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 2019, it covers 89% of the FUM of the Group and excludes infrastructure mandates, Global Private Markets and collateralised loan obligations. Asset weighted performance versus benchmark is a KPI (page 24).

### **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, excluding any amounts related to consolidated fund entities (Note 13.2). This represents a change in definition of the measure as described below. 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 29.

### **Core net management fee revenue and core profit before tax**

Core net management fee revenue excludes net management fee revenue relating to guaranteed products and share of post-tax profits of associates. These items have been excluded in order to better present the management fees of the core business given the roll-off of the legacy guaranteed product FUM 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 29. Core profit before tax is defined as core management fee profit before tax plus adjusted performance fee profit before tax.

### **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.

### **Adjusted profit before tax and adjusted earnings per share**

Adjusted profit before tax is a measure of the Group's underlying profitability. The directors consider that in order to assess underlying operating performance, the Group's profit period on period is most meaningful when considered on a basis which excludes acquisition and disposal related items (including non-cash items such as amortisation of acquired intangible assets), impairment of assets, costs relating to substantial restructuring plans, unrealised foreign exchange movements on lease liabilities and associated deferred tax and certain significant event driven gains or losses, which therefore reflects the revenues and costs that drive the Group's cash flows and inform the base on which the Group's variable compensation is assessed. Movements in deferred tax relating to the recognition of tax assets in the US are similarly excluded from adjusted profit after tax in order to best reflect cash taxes paid. 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.

### **Changes to APMs in 2019**

We have amended the definition of net management fee revenue in 2019 to also exclude the third-party share of management fees relating to consolidated fund entities in order to better reflect the associated income and expenses of these funds together with other seeding-related activity which is recognised within performance fee profits. This would have a 2018 comparative impact of increasing management fee profits by \$3 million and decreasing performance fee profits by the same amount. There is no impact on adjusted profit or statutory profit before tax.

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 2019	Year ended 31 December 2018
Statutory profit before tax		307	278
Adjusting items:			
Acquisition and disposal related			
Impairment of acquired intangible assets	10	5	–
Amortisation of acquired intangible assets	10	78	83
Revaluation of contingent consideration	26	(37)	(31)
Unwind of contingent consideration discount	6	18	28
Gain on sale of investment in Nephila	17	(1)	(113)
Unrealised foreign exchange movements on lease liabilities and associated deferred tax		10	–
Compensation – restructuring	4	(1)	1
Other costs – restructuring	5	7	5
<b>Adjusted profit before tax</b>		<b>386</b>	<b>251</b>
Tax on adjusted profit		(59)	(35)
Adjusted profit after tax		<b>327</b>	<b>216</b>

Further details on adjusting items are included within the related notes to the Group financial statements.

#### 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. See page 148 for details of changes to this APM in 2019.

\$m	Year ended 31 December 2019	Year ended 31 December 2018
Gross management and other fees <sup>1,2</sup>	791	835
Sub-lease rental income	14	–
Share of post-tax profit of associates	–	7
<i>Less:</i>		
Distribution costs	(38)	(51)
Asset servicing	(55)	(51)
Compensation (management fee)	(352)	(357)
Other costs <sup>2</sup>	(178)	(170)
Net finance expense	(10)	4
<b>Adjusted management fee profit before tax</b>	<b>172</b>	<b>217</b>
Exclude: Net management fees from guaranteed products and share of post-tax profits of associates	(2)	(14)
<b>Core management fee profit before tax</b>	<b>170</b>	<b>203</b>
Performance fees <sup>1,2</sup>	325	127
Gains/(losses) on investments and other financial instruments <sup>1</sup>	20	(5)
<i>Less:</i>		
Compensation (performance fee)	(125)	(79)
Finance expense	(6)	(9)
<b>Adjusted performance fee profit before tax</b>	<b>214</b>	<b>34</b>
<b>Core profit before tax</b>	<b>384</b>	<b>237</b>

#### Notes:

- In 2018, gross management and other fees included \$1 million of management fee revenue and performance fees included \$1 million of performance fee revenue for the third-party share relating to line-by-line consolidated fund entities (per Group financial statements Note 13.2 on page 128), reclassified to gains/(losses) on investments.
- In 2019, gross management and other fees, performance fees and other costs exclude amounts for line-by-line consolidated fund entities, with these reclassified to gains/(losses) on investments together with the third-party share.

150 **Alternative performance measures** continued**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 and share of post-tax profits of associates, which relate to our legacy business. 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 and share of post-tax profits of associates. Core profit before tax is a KPI (page 25).

The impact of adjusting items on the Group's tax expense is outlined below:

\$m	Note to the Group financial statements	<b>Year ended 31 December 2019</b>	Year ended 31 December 2018
Statutory tax expense		<b>22</b>	5
Less tax credit on adjusting items:			
Amortisation of acquired intangible assets		<b>8</b>	10
Unrealised foreign exchange movements on lease liabilities and associated deferred tax		<b>2</b>	–
Tax adjusting item	7	<b>27</b>	20
Tax expense on adjusted profit before tax		<b>59</b>	35
Made up of:			
Tax expense on adjusted management fee profit before tax		<b>21</b>	28
Tax expense on adjusted performance fee profit before tax		<b>38</b>	7

**Adjusted tax rate**

The adjusted tax rate is the effective tax rate on adjusted profit before tax and is equal to the tax on adjusted profit divided by adjusted profit before tax. As outlined above 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 (Note 7). Therefore, the tax on adjusted profit best reflects the cash taxes payable by the Group. The adjusted tax rate is 15% for 2019 (2018: 14%), which has increased due to a higher weighting of profits in the UK where the applicable statutory tax rate is 19%.

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	<b>Year ended 31 December 2019</b>	Year ended 31 December 2018
Total compensation costs	4	<b>476</b>	437
Adjusting items (page 149)		<b>1</b>	(1)
<b>Total compensation costs excluding adjusting items</b>		<b>477</b>	436
Made up of:			
Fixed compensation (includes salaries and associated social security costs, and pension costs)		<b>193</b>	179
Variable compensation (includes variable cash compensation, share-based payment charge, fund product payment charge and associated social security costs)		<b>284</b>	257

\$m	Note to the Group financial statements	<b>Year ended 31 December 2019</b>	Year ended 31 December 2018
Total other costs	5	<b>189</b>	175
Adjusting items (page 149)		<b>(7)</b>	(5)
<b>Total other costs excluding adjusting items</b>		<b>182</b>	170

\$m	Note to the Group financial statements	<b>Year ended 31 December 2019</b>	Year ended 31 December 2018
Total finance expense	6	<b>42</b>	40
Total finance income	6	<b>(8)</b>	(7)
Net finance expense, including adjusting items		<b>34</b>	33
Adjusting items (page 149)		<b>(18)</b>	(28)
<b>Net finance expense excluding adjusting items</b>		<b>16</b>	5



**Adjusted management fee EPS**

Man's dividend policy is disclosed on page 33. Dividends paid to shareholders (based on 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 fee profits and adjusting items, divided by the weighted average diluted number of shares.

The reconciliation from EPS (Note 8) to adjusted EPS is provided below:

	Year ended 31 December 2019			Year ended 31 December 2018		
	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	285	18.9	18.4	273	17.3	17.0
Adjusting items	79	5.2	5.1	(27)	(1.7)	(1.7)
Tax adjusting items	(37)	(2.5)	(2.4)	(30)	(1.9)	(1.8)
Adjusted profit after tax	327	21.6	21.1	216	13.7	13.5
Less adjusted performance fee profit	(176)	(11.6)	(11.3)	(27)	(1.7)	(1.7)
Adjusted management fee profit after tax	151	10.0	9.8	189	12.0	11.8

**Compensation ratio**

The compensation ratio measures our compensation costs relative to our revenue. The Group's compensation ratio is generally between 40% and 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 30.

**Net financial assets/liabilities**

The Group is no longer subject to consolidated supervision by the UK's Financial Conduct Authority following the corporate reorganisation in May 2019 (Note 1), and therefore pro forma surplus capital is no longer included as an APM. Net financial assets/liabilities is considered a proxy for Group capital, and is equal to the Group's cash and seed book less borrowings, contingent consideration payable and payables under repo arrangements, made up as follows:

\$m	Note to the Group financial statements	31 December 2019	31 December 2018
Seeding investment portfolio	13	514	662
Cash and cash equivalents <sup>1</sup>	12	220	344
Borrowings	12	–	(150)
Contingent consideration payable	26	(24)	(212)
Payables under repo arrangements	15	(36)	–
<b>Net financial assets</b>		<b>674</b>	<b>644</b>

Note:

1 Cash and cash equivalents excludes \$61 million (2018: \$26 million) of cash relating to line-by-line consolidated fund entities (Note 13.2).

## 152 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, please contact us at: [shareholder@man.com](mailto:shareholder@man.com)**

**Man Group ([www.man.com](http://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](http://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 2019****5.1 cents per share**

The directors have recommended a final dividend of 5.1 cents per share in respect of the year ended 31 December 2019. Payment of this dividend is subject to approval at the 2020 Annual General Meeting (AGM). Key dates relating to this dividend are given below:

Ex-dividend date	2 April 2020
Record date	3 April 2020
DRIP election date	23 April 2020
AGM (to approve final dividend)	1 May 2020
Sterling conversion date	1 May 2020
Payment date	15 May 2020
CREST accounts credited with DRIP shares	20 May 2020
DRIP share certificates received	21 May 2020

**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 capital over time, primarily from net performance fee earnings. Available capital, after taking into account our required capital (including liabilities for future earn-out payments) and potential strategic opportunities, 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 is being returned to shareholders. Details of the number of shares repurchased during 2019 can be found in [Note 21](#) of the financial statements.

The Group will fix the dividend currency conversion rate on 1 May 2020. The achieved sterling rate will be announced at this time, in advance of the payment date. This is a change from the previous practice of converting and announcing this on the dividend announcement date.

**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<sup>1</sup> (+44 121 415 7592 if calling from outside the UK), who will be able to assist.
- 2. Overseas payment service<sup>2</sup>:** 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<sup>1</sup> (+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<sup>1</sup> (+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 2019, Equiniti must have received your instruction by 5.00pm on 23 April 2020. 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 2019/20 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.

<sup>1</sup> Lines are open from 8.30am to 5.30pm, each business day.

<sup>2</sup> 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 2019	0/25	4/9/19	3.87	8/8/19	9/8/19	174.1271	6/9/19
Final dividend for the year ended 31 Dec 2018	0/24	17/5/19	4.06	4/4/19	5/4/19	152.3066	20/5/19

## 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 (+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](http://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. 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](http://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  
22 Grenville Street  
St Helier  
Jersey  
JE4 8PX

Telephone: + 44 (0) 20 7144 1000

Website: [www.man.com](http://www.man.com)

Registered in Jersey with registered no: 127570

### London office

Riverbank House  
2 Swan Lane  
London  
EC4R 3AD  
United Kingdom

Telephone: +44 (0) 20 7144 1000

## Investor relations

[investor@man.com](mailto:investor@man.com)

Head of Investor Relations – Alex Dee

### Company secretariat

[shareholder@man.com](mailto:shareholder@man.com)

Interim Company Secretary – Alice Rivers

## Company advisers

### Independent auditor

Deloitte LLP

### Corporate brokers

Credit Suisse  
J.P. Morgan Cazenove

### Corporate communications

Finsbury

### Registrars

Equiniti Limited

154 **Glossary****Absolute performance**

Percentage rise/fall in the value of the fund over the stated period

**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 withdrawal from the European Union

**Carbon dioxide equivalent (CO<sub>2</sub>e)**

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<sub>2</sub>) 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

**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

**FRC**

Financial Reporting Council

**Funds under management (FUM)**

Calculated as the sum of the absolute value of all assets of all funds managed by the firm. This includes funds where the firm has delegated the management function but excludes funds that it is managing as a delegate.

**GDPR**

The General Data Protection Regulation

**HMRC**

Her Majesty's Revenue and Customs

**ICAAP**

Internal 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 recognise 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 includes traditional fund of fund and infrastructure and segregated mandates

**Net Asset Value or NAV**

Net Asset Value or NAV is the sum total of the market value of all the shares held in the portfolio including cash, less the liabilities, divided by the total number of units outstanding

**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](http://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

**Seed capital**

Seed capital comprises initial investment put into a fund by the business to allow it to develop a performance track record before it is marketed to potential clients

**Senior Governance 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

**SMCR**

Senior Managers Certification Regime. New FCA regulation which aims to strengthen market integrity by making senior individuals more accountable for their conduct and competence

**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, Man GPM, risk premia, and CLO strategies

**Total return swap or TRS**

A total return swap is a swap agreement in which Man receives the return on an underlying fund investment in exchange for an interest payment on the notional investment

**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







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