

MATRIX

Matrix Group Limited

Pillar 3 - *Supplement to February 2011 Disclosure*

Topic: Remuneration

Pillar 3 Disclosures (Supplement 2011) – Remuneration

This supplemental disclosure to the Pillar 3 Disclosure (issued February 2011) is made on behalf of the Matrix Group (“Matrix” or “Group”), in accordance with the requirements set out in the UK Financial Services Authority’s (FSA) Prudential Sourcebook for Banks, Building Societies and Investment firms (BIPRU). Matrix is deemed to be a Tier 3 group for the purposes of the Remuneration Code. It is therefore subject to the proportionality requirements relating to both the operation of a remuneration policy and the Pillar 3 Disclosures, in accordance with the rules and guidance issued by the FSA. Comparative quantitative data has not been provided as this is the first year of disclosure.

1. Background

Matrix is a privately owned boutique financial group, conducting activities across the asset management, property and investment banking sectors. The Group consists of a combination of partnerships and subsidiaries.

2. Qualitative Disclosure

This qualitative section sets out in overview the basis, structure and processes around the establishment and operation of the Group’s Remuneration Policy.

2.1 Remuneration Committee

The Matrix Board has established the Remuneration Committee and delegated to it the responsibility for the Remuneration Policy. The Remuneration Committee reports to the Matrix Board.

The Remuneration Committee is responsible for and has the objective of overseeing the Group’s remuneration framework and approach to remuneration in a manner designed to be consistent with the Remuneration Policy, promoting effective risk management, sound practices and to facilitate the strategy and requirements of the business. The mandate of the Remuneration Committee includes determining the firm’s policy on remuneration, assessments of arrangements relating to LLPs, remuneration of employees and directors, the application of incentive schemes and the making of recommendations to the Employee Benefit Trust. The Remuneration Committee will also decide on the delegation of decision making to relevant executive Committees, as and where appropriate.

The Remuneration Committee is composed of the Chairman and CEO of the Group, along with representatives of the Senior Management team. The Remuneration Committee is supported and advised by other stakeholders including Human Resources, Compliance, Finance and the business heads.

2.2 Remuneration Policy

The Remuneration Policy sets out Matrix’s approach on remuneration. It has been documented in a manner designed to ensure that:-

- There are core principles setting out how Matrix rewards its people, what it values and what it rewards.
- Reward policies and practices are driven by and promote the strategy and requirements of the business.
- Reward policies and practices comply with the requirements of the UK FSA's Remuneration Code.
- Reward policies and practices are designed to promote and maintain a sound capital base for the Group.
- There is a framework to guide reward practices in different parts of the business, establishing how much consistency there should be.
- Remuneration principles and practices are consistent with and promote sound and effective risk management and do not encourage risk-taking that exceeds the risk appetite and tolerance.
- There is clear accountability and ownership for reward decisions.

The Remuneration Policy is subject to review and where appropriate updating, on at least an annual basis.

2.3 Remuneration Structure

The remuneration structure has been established as follows and is considered to meet the objectives of the Remuneration Policy.

a) LLP Members:

LLP member remuneration is determined by the relevant LLP deed. This will give rise to a combination of drawings and profit share, based on the financial year. The LLP agreements and any changes in the drawings will be subject to the assessment and approval of the Remuneration Committee.

b) Employees:

Employee remuneration (including directors) consists of a combination of base salary reflecting roles and responsibilities, variable pay which is generally structured as bonus or commission and employee benefits. The Group has the ability, if deemed appropriate, to also utilise incentive schemes such as share options. The Remuneration Committee will assess and approve the remuneration of employees

2.4 Decision Making Process

Matrix is of the view that total remuneration should take into account the competition for talent in an industry where successful people are rewarded and mobile. The Group and the LLPs compensate individuals through both fixed and variable compensation. The assessment by the Remuneration Committee will take into account the performance of the individual, comparisons with peer group entities within the industry, the experience of the individual, the level of responsibility, the capital base, the financial performance (of the entity and Group) and the business outlook.

Matrix operates on an annual cycle with regards to remuneration assessment. Due to the nature of the industry, it may also be necessary on occasion to make changes to the remuneration during the periods between the annual cycle. In such cases the Remuneration

Committee will be required to conduct its decision making process in accordance with the same objectives and requirements.

During this decision making process the Remuneration Committee will assess proposals, with the relevant supporting information/analysis and determine, if appropriate, changes are made to the remuneration. The Remuneration Committee's decision making process will operate in accordance with the above and in a manner designed to meet the regulatory, legal and contractual requirements arising from the structure of the Group and its entities.

2.5 Link between Pay and Performance

The Remuneration Policy recognises there is a direct link between remuneration and the performance of the individual, the relevant entities and where relevant the Group.

The basis for fixed remuneration is designed to reflect role and responsibilities, taking into account the economics of the entity. Base salaries are primarily decided by a review of relevant market data for the external peer group for the role and comparisons with the internal peer group.

The policy for variable compensation is to recognise corporate performance and individual achievement. LLP variable remuneration will be entirely correlated to the P&L of the LLP. In originally establishing the LLP profit share, Matrix will have taken into account the relevant factors such as regulatory capital, long term sustainability of the business and other such requirements.

Employees may be eligible for a discretionary bonus. Each year the size of the bonus pool is determined by the Remuneration Committee based on a review of the profitability of the Group, its capital base, business outlook, plus specific influences for that year and an assessment of bonus levels required to reward and retain staff. Individual bonus awards from the bonus pool are primarily based on the individual's performance during the year including information from the annual performance review. Awards are proposed by each business division, then considered and where appropriate approved by the Remuneration Committee.

2.6 Code Staff

In considering who is to be defined as Code Staff, Matrix has taken into account the various individuals' seniority, their regulated status and whether the individuals' have a material impact on the firm's risk profile. Matrix has deemed the Code Staff to fall into the following categories.

- Individuals who are Board Directors of the Matrix Group, plus members of the Group Remuneration Committee, the Group and Divisional Executive Committee, as they are able to set levels of risk within the Group;
- Individuals who are members of Group or Divisional Risk Committees, as they are able to assess and set risk tolerance with significant matters being escalated to the relevant Executive Committee;

- The Head of HR;
- FSA registered Compliance staff

The Remuneration Committee will review, assess and approve the list of Code Staff on an annual basis to ensure that it remains current and appropriate. New joiners and staff who change functions/roles will be reviewed and assessed as to whether they are to be classified as Code Staff.

3. Quantitative Disclosure

The Group is required to disclose aggregate quantitative remuneration for its Code Staff. Matrix has provided below the information relating to the financial year ended 30 June 2011. Comparative quantitative data has not been provided as this is the first year of disclosure. This information has been split between fixed and variable compensation paid to Senior Management Code Staff and Other Code Staff.

	Senior Management £'000	Other Code Staff £'000	Total £'000
Fixed Compensation	2,045	1,343	3,388
Variable Compensation	878	222	1,100
Total Compensation	2,923	1,565	4,488

	Senior Management	Other Code Staff	Total
No. of Code Staff	14	15	29

Fixed compensation includes base salary and benefits and, in the case of LLP members, the draws taken during the period.

Variable compensation includes amounts payable or awarded in respect of the financial year ending 30th June 2011. The payment relates to performance, comprising of cash bonuses, profit shares arising from LLPs and other discretionary awards granted during the financial year outside of the annual performance review.