

Directors' Remuneration Report



"The Committee oversees the remuneration of the independent Board of Directors. Board remuneration must align the intellectual capital and time commitments required of Directors in fulfilling their fiduciary responsibilities, overseeing key operational projects, and ensuring the Company achieves strategic milestones and robust performance for Shareholders and stakeholders alike."

Dear Shareholder,

I am pleased to present to you the Directors' Remuneration Report for the year ended 31 March 2021, which has been approved by both the Remuneration Committee and the Board.

The Committee reviews its Terms of Reference annually to re-confirm it reflects best practice under the AIC Code including periodic, independent review of Director Remuneration.

The Directors of the Company, a constituent member of the FTSE250 Index since March 2020, have enhanced fiduciary responsibilities as the Board of a self-managed fund and collectively, provide a diverse body of expertise relevant to the acquisition, management and value enhancement of intangible music copyright assets.

The Committee's work for the year ahead will continue to ensure there is a clear linkage between the Board's work and Shareholder outcomes so that Directors are remunerated fairly for the particular commitments of time, skill and effort required of them by your Company.

Simon Holden

Chair of the Remuneration Committee

4 July 2021

Purpose and Aim

The terms of reference of the Remuneration Committee, which are reviewed annually, are set out on the Company's website (www.hipgnosissongs.com). The Remuneration Committee is responsible for recommending and monitoring the level and structure of remuneration for all the Directors, taking into account the time commitments and responsibilities of Directors and any other factors which it deems necessary, including the recommendations of the AIC Code.

The Remuneration Committee is also responsible for the review of any workforce remuneration and related policies, and the alignment of incentives and rewards with culture and taking these into account when setting the policy for any executive director remuneration. At the moment this involves oversight of the arrangements for the employees of Hipgnosis Songs Group, managed by The Family (Music) Limited. As at the year ended 31 March 2021, although the Company has employees within HSG, none of the employees are classified as Senior Executives as they do not report directly to the Board of Hipgnosis Songs Fund Ltd. At the time of the acquisition of HSG the Board clarified certain elements of both the Investment Advisory Agreement and the Financial Position and Prospects Procedures Memorandum. This introduced delegated controls over HSG's executive remuneration (amongst financial budget and performance management) to the Investment Adviser consistent with their policies, procedures and knowledge of the rights administration industry.

Membership and Meetings

As at 31 March 2021, the Committee comprised:

Mr Simon Holden (Chair of the Committee)
Mr Paul Burger
Ms Sylvia Coleman
Mr Andrew Sutch
Mr Andrew Wilkinson

The Remuneration Committee meets at least once a year pursuant to its terms of reference. During the year the Remuneration Committee met on one occasion, on 16 June 2020. Attendance is disclosed on page 84. A quorum is two members. Members of the Committee are not involved in matters affecting their individual position.

Directors' Remuneration

The Directors continue to be paid in Sterling.

During the year ended 31 March 2021 the Directors' remuneration was as follows:

	Fixed Element £	Bonus Catch-up FY 2020 £	Additional Payment £	31 March 2021 Total £	31 March 2021 Total £	31 March 2020 £	31 March 2020 £
Andrew Sutch	85,000	25,000	15,000	125,000	163,458	64,375	81,801
Paul Burger	81,500	25,000	15,000	121,500	159,105	61,250	77,830
Andrew Wilkinson	81,500	25,000	15,000	121,500	158,865	61,250	77,830
Simon Holden	75,000	25,000	15,000	115,000	150,338	56,250	71,477
Sylvia Coleman	75,000	9,000	15,000	99,000	130,302	17,295	21,977

As disclosed in last year's report the Remuneration Committee commissioned Tyzack Associates in London to perform an independent remuneration review of appropriate levels and models for Directors' fees, from first principles based on the specific requirements of their roles and commitments for the Company rather than just benchmarked to other investment companies. An increase in Director fees was recommended by Tyzack Associates on 28 April 2020, backdated to 1 April 2020 following the Shareholder approval of the increase in the Directors' Remuneration cap, as contained in the Articles of Incorporation, at the AGM on 8 September 2020.

From 1 April 2020 the Chair was entitled to annual remuneration of £85,000 (1 April 2019: £45,000). The Chairs of the Audit and Risk Management Committee and the Portfolio Committee were entitled to annual remuneration of £81,500 (1 April 2019: £40,000). The other Directors were entitled to annual remuneration of £75,000 (1 April 2019: £35,000).

A supplement of £25,000 was paid to Andrew Sutch, Andrew Wilkinson, Paul Burger and Simon Holden on 29 April 2020 and a pro rata supplement of £9,000 was paid to Sylvia Coleman on 29 April 2020. This one-off payment was in past recognition of the Directors workload throughout the financial year ending 31 March 2020 when the Directors fee cap provided no flexibility whilst the Company's scale, competencies, reporting processes and capital structure each developed significantly.

In light of the work undertaken for the publication of a new Prospectus to support subsequent fundraising, leading to the placing of 61,983,471 Ordinary Shares under the Company's Placing Programme pursuant to the prospectus published by the Company on 21 January 2021, a supplementary payment of

£15,000 was granted to each of the Directors on 12 February 2021. The Directors agreed to reinvest this amount, net of income taxes, in the Company's shares.

The Directors' remuneration, excluding disbursements, for the year amounted to £582,000/\$762,068 with outstanding fees of £nil due to the Directors at 31 March 2021 (31 March 2020: £260,420/\$296,292 with outstanding fees of £nil due at 31 March 2020).

The level of remuneration of the Directors reflects a high and sustained workload for the Company. There are limited direct comparisons between the operational mandate this Board has over the Company's business model for acquiring, integrating and managing a portfolio of song copyrights with the less operational and more predictable workload of the majority of investment company boards.

Key responsibilities include:

- Scrutinising, through due diligence, the status of both contractual and registration rights that require resolving as part of each acquisition;
- Oversight of a finance function that tracks and collects royalty and licence obligations from a complex supply chain of global revenue sources;
- Defining the disclosure and measurement of how well performance is tracking to the Investment Adviser's initial business case for each acquisition by income type, catalogue and as a portfolio overall;
- Assessing the business case for value enhancement from internalising certain functions (such as copyright administration via HSG);
- Ensuring assets are securely under the Company's custody within reasonable timeframes post acquisition;
- And finally, the efficient capitalisation of the Company to enhance and safeguard returns on investment for Shareholders.

The schedule of the Directors' attendance evidences the breadth and depth of investment, strategy and other project work they have supported or led during the year. Whilst deal volumes will not be consistent every quarter, in between periods of investment activity the Directors are closely involved in planning work to evolve the Company's capital structure to scale its asset base and improve Shareholder returns. The Remuneration Committee will continue to review the levels of remuneration in the light of the level of the commitment and involvement of the Directors beyond quarterly Board meetings.

For the avoidance of doubt, Directors are reimbursed for out of pocket expenses incurred in fulfilling their roles, including costs of travel and accommodation (as required).

2022 Objectives

It is the Remuneration Committee's intention to continue to oversee the remuneration arrangements in a manner which is aligned with the delivery of key operational goals and continued positive strategic outcome for our Shareholders and stakeholders.

The proposed activities for the Committee for the year ahead are:

- review the Terms of Reference of the Committee to ensure they reflect best practice under the Code;
- continue to monitor and assess Director remuneration and review any applicable workforce remuneration and related policies including the alignment of incentives and rewards with culture;
- engagement with Shareholders on any future review of the remuneration policy.

On behalf of the Remuneration Committee,

Simon Holden

Chair of the Remuneration Committee

4 July 2021