



Hipgnosis Songs Fund Limited

Non-Executive Directors' Remuneration Policy

1. Introduction

In this document we describe the Company's remuneration policy for its Non-Executive Directors. It includes:

- Our remuneration principles.
- Role of the Remuneration Committee and measures to avoid or manage conflicts of interests.
- Considerations when determining policy of Non-Executive Directors, their remuneration policy table and the maximum annual amount, in aggregate, to be paid to Directors in their capacity as such.
- Our approach to recruitment remuneration.

This Remuneration Policy is subject to shareholder approval every three years, the next approval being at the General Shareholders' Meeting to be held in September 2022.

2. Our remuneration principles

- a) **We adhere to the principles of the AIC Code of Corporate Governance, which states that "Directors' remuneration should reflect their duties, responsibilities and the value of their time spent."**

Our remuneration principles are as follows:

- To provide a strong alignment with the achievement of the Company's strategic objectives;
- To offer a remuneration package reasonable with respect to market demands and to the effective dedication, qualification and responsibility on Non-Executive Directors;
- The amount of remuneration shall be calculated so that it offers incentives to dedication, but at the same time without constituting an impediment to their independence.
- To offer competitive and fair rates of pay and benefits to attract and retain the best people, while ensuring no discrimination based on gender, race, ethnicity, religion or sexual orientation.

b) Non-Executive Directors do not participate in remuneration schemes where payout is linked to performance.

The Remuneration Committee also takes into account a variety of factors when determining the remuneration policy for Directors:

Internal Factors	External Factors
Company strategy and business objectives	Investor views
Pay and employment conditions within the Group	Comparative market data
	Regulation and corporate governance recommendations

Members of the Remuneration Committee, together with the Investment Adviser and the Company's corporate brokers engage on an ongoing basis with larger shareholders in the Company to discuss and receive feedback on this remuneration policy.

3. Composition of the Remuneration Committee

In accordance with the AIC Code of Corporate Governance the Remuneration Committee shall consist of at least three members, who should all be independent Non-Executive Directors. The Chairman may be a member of, but not Chair, the Remuneration Committee. No Director is involved in deciding his or her own remuneration.

4. Role of the Remuneration Committee

The Remuneration Committee's mandate consists of analyzing, formulating and periodically reviewing the remuneration system applicable to Non-Executive Directors that enable the Company to attract, retain and motivate the most outstanding professionals, bringing their interests into line with the strategic objectives of the Company.

For this purpose, the Remuneration Committee meets at least annually, or more often as determined by its Chair.

The Remuneration Committee may be assisted by independent remuneration advisers to provide advice, market trends and benchmark data on remuneration matters, where appropriate. Other independent third parties may also be invited assist the Committee.

5. Measures to avoid or manage conflicts of interests

As regards measures adopted to avoid conflicts of interest, the Board Regulations establish the following:

- Directors must adopt the necessary measures to avoid situations where their interests, whether

for their own or another's account, may come into conflict with the interest of the Company and with their duties to the Company.

- Directors must report the existence of conflicts of interest to the Board of Directors and abstain from participating and intervening in deliberations and voting on resolutions or decisions in which they or a related person have a conflict of interest.
- In any event, situations of conflict of interest to which the Directors are subject have to be reported in the Annual Report on Corporate Governance and in the notes to the financial statements.
- Directors must notify the Board of i) any stake they have in the capital of a company performing the same, analogous or complementary activity to the one included in the Company's corporate purpose; ii) the positions and functions they perform in such company and iii) the performance, acting as an independent contractor or employee, of the same, analogous or complementary activity to the one included in the Company's corporate purpose. Said information shall be included in the annual report.

6. Remuneration strategy

The Company seeks to offer competitive fees commensurate with the required time commitment and responsibilities of its Non-Executive Directors.

The Remuneration Committee regularly reviews the fees paid to Non-Executive Directors in comparable self-managed investment trusts and trading companies within the main European indices.

In the financial reporting year ending March 2021, the Remuneration Committee commissioned Tyzack Associates to perform an independent assessment of appropriate levels and models for Directors' fees in the Company, from first principles, based on the specific requirements of their roles and commitments for the Company.

Tyzack Associates concluded that the level of remuneration of the Directors should reflect the high and sustained workload for the Board. There are limited direct comparisons between the operational mandate that this Board has over the Company's business model (as a self-managed investment trust) 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. They identified the key responsibilities of the Board as including:

- Scrutinizing, 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 Hipgnosis Songs Group);
- 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 Company’s Non-Executive Directors are remunerated with respect to their dedication, qualification and responsibility. As such, Tyzack Associates recommended that the amount of remuneration of Non-Executive Directors should be calculated so as to offer incentives for dedication, but at the same time without constituting an impediment to their independence.

The remuneration of the Company’s Non- Executive Directors currently comprises a fixed annual fee which varies to reflect additional duties such as the chairing or membership of a committee (such as the audit and portfolio committees) or acting as the senior independent Director or Chairman.

The Non- Executive Directors do not participate in any incentive or pension plans, nor are they entitled to additional attendance fees. Only reasonable travel and overnight accommodation expense incurred in attending Board meetings and/or any Board committee meetings are reimbursed.

Purpose and link to strategy

Headline	Policy	Comment
<p>The fee levels payable reflect the time commitment and responsibilities of a Non-Executive Director of the Company</p>	<p>The policy for non-Executive Directors is to pay:</p> <ul style="list-style-type: none"> • base fees; and • further fees for additional Board duties such as the chairing or membership of a committee (such as the audit and portfolio committees), or acting as the senior independent Director. 	<p>The Board will review the amount of each component of fees periodically to assess whether, individually and in aggregate, they remain competitive and appropriate in light of changes in roles, responsibilities, and/or time commitment of the Non-Executive Directors and to ensure that individuals of the appropriate calibre are able to be retained or appointed.</p> <p>There are currently various board committees (including the Portfolio Committee, the Remuneration Committee, the Nominations Committee, the Management Engagement Committee and the Audit Committee). Each committee is comprised of all six independent Non-Executive Directors.</p>

	<p>Fees are paid in cash. The Remuneration Committee retains the discretion to pay in shares rather than cash where appropriate.</p>	<p>New shares would only be issued in payment at a price at or in excess of their prevailing estimated NAV on the date of issue.</p> <p>Certain ad-hoc fees received for additional work commitments and responsibilities related to preparing and issuing a Prospectus were reinvested (after tax) to purchase shares in the Company's issue (without exception). These fees are wholly at-risk if the Prospectus wasn't issued. Together these demonstrate the Board's total alignment with creating value for all shareholders.</p>
	<p>Any Non-Executive Chair would be paid a fixed annual fee for all Board responsibilities based on their experience and the time commitments expected for the role, together with such other benefits as the Committee may in its absolute discretion determine.</p>	<p>Other than in exceptional circumstances, the fees paid in respect of each board role (Chairman, Senior Independent Director, etc) will not increase by more than 10% per annum above the current fee levels until this Policy is next approved by shareholders at the AGM in 2025.</p>
	<p>Any newly appointed Non-Executive Director would be paid in line with the policy on a time-apportioned basis in the first year as necessary. No sign-on payments are offered to Non-Executive Directors.</p>	
	<p>The Board has discretion to approve changes to the fees. The Board may also introduce any new component of fee for Non-Executive Directors subject to the principles, parameters and other requirements set out in this remuneration policy.</p>	
Subsidiaries	<p>Certain Non-Executive Directors may be entitled to receive fees for their services as Directors of subsidiary companies of the Company. Such additional remuneration is determined by the board of Directors of each relevant subsidiary within a framework set by the Remuneration Committee.</p>	

Expenses	Reimbursed for any expenses incurred in performing their role and any related tax cost on such reimbursement.	
Shareholding guidelines	To ensure appropriate alignment with the interests of our shareholders, Non-Executive Directors, individually or with their connected persons, are encouraged to satisfy a minimum shareholding within five years from their appointment, consistent with the individual financial means and investment risk appetite of each Director according to their personal circumstances.	

The Committee will first consult with major shareholders in the event that the exercise of the discretions described above are contemplated. The above statement of the Company’s policies represents no material change in the Company’s policies to date.

Every year the Remuneration Report in the Company’s Annual Report will disclose the amounts of the above components. In the year ended 31 March 2022 the Chair was entitled to annual remuneration of £85,000, the Chairs of the Audit and Risk Management Committee and the Portfolio Committee were entitled to annual remuneration of £81,500 and the other Directors were entitled to annual remuneration of £75,000.

Subject to Shareholder approval at the 2022 AGM, the aggregate of fees paid to the Chair and the Non-Executive Directors in their respective roles in each of the three financial years ending 31 March 2023, 2024 and 2025 shall not exceed, in aggregate, £550,000. This limit may be amended with shareholders’ agreement by Ordinary Resolution. It is intended to accommodate the possibility of adding an additional Non-Executive Director to the Board in the context of the Company’s stated diversity and inclusion policies from time to time.

Under the Company’s Articles of Association the Board has authority to pay extra remuneration in the event of exceptional additional work (for example, a fundamental change in the Company’s business, a takeover or merger, etc) over and above the cap. In these circumstances the Remuneration Committee will consult with the Company’s independent advisers and with key Shareholders prior to making any such award.

7. Service contracts and policy on payments on loss of office

The Non-Executive Directors are not appointed for fixed terms (albeit that tenure is not expected to exceed nine years in accordance with the provisions of the AIC Code). All Directors are subject to annual re-election by shareholders at the Company’s annual general meeting.

Non-Executive Directors do not have service contracts, but instead receive letters of appointment issued by the Company. Other than as set out above, there are no obligations in these letters of appointment which could give rise to remuneration payments or payments for loss of office.

8. Approach to recruitment remuneration

Chair of the Board - Fees payable to recruitment consultants in connection with a search for the Chair will be set at a level that is competitive with those paid by other companies of equivalent size and complexity and will also consider, among other factors, the candidate's experience, potential or actual value contribution and relevance from an institutional perspective and the special circumstances applicable to the Company described above.

Non-Executive Directors - Fees payable to recruitment consultants in connection with a search for new Non-Executive Directors will be set on the same basis as for existing Non-Executive Directors of the Company. In the event of a Non-Executive Director with a different role and responsibilities being appointed, fee levels will be benchmarked and set by reference to comparable roles in companies of equivalent size and complexity, again taking into consideration the special circumstances applicable to the Company described above.

9. Effectiveness

This Remuneration Policy will remain in effect until the AGM in 2025, at which point an updated remuneration policy will be submitted to shareholders for ratification by an Ordinary resolution for a further three years.

10. Approach to subsidiaries

The Remuneration Committee is also responsible for 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. The Company does not currently have any Executive Directors or senior executive personnel for whom this responsibility would apply.

Specifically, the Remuneration Committee does not have responsibility for the remuneration of the employees of Hipgnosis Songs Group (HSG), a subsidiary company associated with the administration of some of the Company's catalogues in the United States.

At the time of the acquisition of HSG in 2020 the Board amended both the Investment Advisory Agreement with its investment adviser, Hipgnosis Song Management Limited (HSM) and its Financial Position and Prospects Procedures Memorandum in order to delegate full responsibility for the operations of HSG to HSM. Accordingly HSM is responsible for HSG's operations, including its executive remuneration, budgeting and performance management.